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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

THURSDAY, MARCH 22, 1990.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

WITNESSES

GAIL R. WILENSKY, ADMINISTRATOR

LEE MOSEDALE, ACTING DIRECTOR, OFFICE OF BUDGET AND ADMINISTRATION

DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. NATCHER. At this time, we take up the budget request for the Health Care Financing Administration, and we have before the committee Dr. Gail R. Wilensky, the Administrator.

And Dr. Wilensky, we are delighted to have you before our committee; I believe this is your first appearance.

Dr. WILENSKY. Correct.

Mr. NATCHER. We hope you have many more, and I would say to you that we want to wish you the best of everything with your new assignment.

If you asked me to name the three most difficult assignments in the Federal Government, I would name yours as number one, number two, or number three.

I certainly would, because it's a difficult assignment and one that requires a lot of ability and good judgment; and we believe you have it.

Dr. WILENSKY. Thank you.

Mr. NATCHER. If you would, tell us now first who you have with you at the table, and then we will listen to you.

Dr. WILENSKY. I have with me on my left Mr. Mosedale, who is from the agency. And on my right, Mr. Williams, who is with our Assistant Secretary for Management and Budget.

Mr. NATCHER. We are delighted to have all of you before the committee, and now we will be pleased to hear from you.

Dr. WILENSKY. Mr. Chairman and Members of the subcommittee, I am pleased to have the opportunity to discuss with you HCFA's fiscal year 1991 budget request.

As I begin my appointment at HCFA, I am mindful of the many tasks before us. The Congress and the Administration face serious, continuing challenges in meeting our dual concerns of providing high quality health care to our most vulnerable citizens while ensuring that the taxpayers' dollars are well spent.

To help meet these challenges, our 1991 budget request offers both bold, new proposals and some important refinements of present practices.

Our primary Program Management proposal would consolidate all Medicare and Medicaid State Certification activities in a new Survey and Certification Revolving Fund.

We want to make this account self-sustaining through the assessment and collection of user fees. This policy has only a modest effect on the Federal deficit. Medicare and Medicaid would continue to pay their fair share for these important activities. It is a logical and equitable extension of the funding mechanism created by Congress in the Clinical Laboratory Improvement Amendments of 1988.

Our request also puts forth a number of proposals designed to slow the escalation of Medicare outlays and to enhance the role of managed care in Medicare and Medicaid.

Under current law, Medicare expenditures are expected to grow by approximately 10 percent in fiscal year 1991, far outstripping projected inflation in the Consumer Price Index.

Our proposals would hold this rate of growth to less than 5 percent for a total savings of $5.5 billion. Even with this proposed level of savings, however, Medicare outlays in 1991 will jump by about $5 billion over 1990 levels.

Finally, I would like to highlight each of the accounts that fall under the jurisdiction of this subcommittee.

Grants to States for Medicaid: Under current law, we request a total of $45,000,000,000 for the Federal share of Medicaid benefits and administrative costs. This request reflects the sharply increased level of Federal resources required to simply maintain the Medicaid program at its present level. This is independent of any new attempts to improve health care services for the most needy Americans. Our request exceeds the 1990 appropriation by nearly 12 percent. This increase is driven by the impact of recent legislation and the steeply rising costs of institutional services.

The Administration's budget request also includes a package of Medicaid managed care initiatives. This package reflects our concern that too often low-income individuals rely on hospital emergency rooms for their primary care, and suffer a lack of continuity in the services they receive.

Coordinated systems of care can help address this problem. We are seeking to enhance the appeal of Medicaid managed care to States. Medicaid managed care freedom-of-choice waivers have already helped improve access to care for recipients in areas where provider participation has increased.

Medicaid recipients will benefit in several ways from our proposals. Managed care organizations assure access to the full range of necessary services and thereby improve quality and continuity of care. They can also prevent unnecessary utilization and duplication of services.

Our package of Medicaid managed care proposals will cost approximately $25,000,000.

In addition to our proposed managed care expansions, we also seek refinements in the administration of the Medicaid program. As part of our survey and certification proposal, we propose to transfer all Medicaid State Certification responsibilities to the new revolving fund. This would reduce the Medicaid appropriation by more than $113,000,000.

Payments to the Health Care Trust Funds: In the Payments to the Health Care Trust Funds account, our proposed law request of $35.1 billion is $2,000,000,000 less than under current law. This proposed law request reflects the substantial Medicare Part B savings that would be realized through enactment of the Administration's legislative package.

Program Management: Our Program Management request is $1.9 billion. It encompasses three integral agency activities: Research, Medicare Contractors, and Administrative Costs.

Our request is $41,000,000 less than our 1990 appropriation. This significant reduction is a result of last year's repeal of the Catastrophic Coverage Act and the transfer of State Certification activities to the proposed revolving fund.

Research: Our request for research activities in fiscal year 1991 is $36,000,000. Through this request, we look to continue our research emphasis on such high priority issues as quality of care and physician and ambulatory care payment systems.

Medicare Contractors: Our Medicare Contractors request is $1.6 billion. This includes a contingency reserve of $100,000,000 and $73,000,000 earmarked for OBRA 89 activities. Our request is a 9 percent rise over the 1990 appropriation, and it includes increases in primary contractor functions: Claims Processing, Payment Safeguards, and Beneficiary and Provider Services.

Our request for increased Payment Safeguards activities is particularly important, for it recognizes the significant trust fund savings produced by these investments.

Among the other highlights of our Contractors request is the operation and enhancement of the Common Working File, an electronic data system that vastly improves Medicare claims processing operations. This and other systems initiatives use technological innovations to promote improved operations and services to beneficiaries and providers.

Administrative Costs: The Administrative Costs activity of the Program Management account provides for the operating expenses of HCFA. Our request of $285,000,000 is 12 percent less than the 1990 appropriated level. Similarly, our FTE request of 3,577 is 440 positions under the 1990 level.

These reductions in funding and staffing reflect the effects of the repeal of the Catastrophic Coverage Act, and the transfer of 380 Medicare and Medicaid State Certification personnel to the new revolving fund account.

Survey and Certification Revolving Fund: The proposed Survey and Certification Revolving Fund consolidates in a single account the various survey functions of the Medicare and Medicaid programs, along with the new schedule of lab inspections required by the Clinical Laboratory Improvement Amendments of 1988.

In essence, all direct survey costs, as well as corresponding Federal administrative expenses, would be funded through user fees to be collected from all providers and suppliers. The entire program would be self-financing, and it would not require any appropriated budget authority in 1991 or in any subsequent fiscal year. User fee collections would totally offset the proposed $510,000,000 in revolving fund operating expenses, including the costs of 550 FTEs.

In conclusion, our fiscal year 1991 budget request is the product of a coordinated Administration effort to improve the Medicare and Medicaid programs, which together will serve the health care needs of more than 57,000,000 Americans next year.

This effort reflects our concern for promoting access, quality, value, and choice in the health care services provided to Americans. We are confident that our fiscal year 1991 request addresses this concern.

I would be happy to respond to any questions that you may have.

[The information follows:]

Statement of
GAIL R. WILENSKY, Ph.D.
ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION

Mr. Chairman and Members of the Subcommittee, I am pleased to present to you today the Fiscal Year 1991 budget request of the Health Care Financing Administration.

As I begin my appointment as Administrator of HCFA, I am mindful of the many tasks before us. The past year has been one of both change and continuity for the agency. Significant changes in the Medicare and Medicaid programs have resulted from such major legislation as the Medicare Catastrophic Coverage Repeal Act and the Omnibus Budget Reconciliation Act of 1989. At the same time, the unabated growth in national health care costs continues to pose serious, unresolved challenges to the Congress and to the Administration in our concerted efforts to constrain expenditures while ensuring quality of care.

The FY 1991 HCFA request outlines our agency-wide proposals to help meet these challenges through more effective and efficient management of Medicare and Medicaid. These initiatives include the introduction of new approaches to our programmatic responsibilities, as well as refinements of present administrative practices.

In our primary program management proposal, we seek to consolidate all Medicare and Medicaid State Certification activities in a new Survey and Certification Revolving Fund, and to make this account self-sustaining through the assessment and collection of user fees. This proposal is a logical extension of the laboratory inspection funding mechanism mandated by the Congress in the Clinical Laboratory Improvement Amendments of 1988. It is an effort to equitably assign costs to those parties who most benefit from participation in the Medicare and Medicaid programs. This policy has only a modest effect on the Federal deficit, as Medicare and Medicaid will continue to pay their fair share for these important activities.

Our request also puts forth a number of proposals to slow the escalation of Medicare benefit outlays and to enhance the roles of Medicare and Medicaid in the managed care arena. Under current law and without Catastrophic Health Insurance, Medicare benefits are expected to grow by approximately 10 percent in FY 1991. Our proposals would hold this rate of growth to less than 5 percent, for a total savings of $5.5 billion. Even with this significant level of proposed savings, FY 1991 Medicare benefits will exceed FY 1990 benefit payments by approximately $5 billion.

At this time, I would like to briefly discuss each of the respective accounts under the purview of this Subcommittee: Grants to States for Medicaid, Payments to the Health Care Trust Funds, Program Management, and the proposed Survey and Certification Revolving Fund.

Grants to States for Medicaid

During FY 1991, Medicaid is expected to serve more than 26 million recipients, an increase of approximately 4 percent over the previous year. Under current law, we request a total of $45 billion for the Federal share of Medicaid benefits and administrative costs. This is an increase of $4.8 billion, or nearly 12 percent, over FY 1990. Much of this increase is due to the impact of recent legislation and to the steeply rising costs of institutional services.

The Administration is proposing a package of Medicaid managed care initiatives that will better integrate services, help to control unnecessary utilization, and improve both access to and quality of care. These enhancements are expected to cost $25 million.

As part of our survey and certification proposal, we propose to transfer all Medicaid State Certification responsibilities to the new Revolving Fund. This would reduce the Grants to States for Medicaid appropriation by more than $113 million in FY 1991.

Payments to the Health Care Trust Funds

The Payments to the Health Care Trust Funds account incorporates several distinct Federal contributions to the Medicare Trust Funds. By far the largest of these is the Federal general revenue subsidy of Supplementary Medical Insurance. This subsidy currently finances more than 75 percent of Part B expenditures. Because of the substantial Part B savings which would be realized through passage of the Administration's legislative proposals, our proposed law request of $35.1 billion is $2 billion less than under current law.

Program Management

The Program Management request encompasses three integral agency activities: Research, Medicare Contractors, and Administrative Costs. It anticipates that all State Certification activities and related administrative support presently included in the Program Management account will be transferred to the new Revolving Fund.

Our request is $1.9 billion, comprised of $1.8 billion to be transferred from the Medicare Trust Funds and $90.1 million to be appropriated from

Federal general funds. This is $41.4 million less than our FY 1990 appropriation, a reduction attributable to Catastrophic repeal and the transfer of survey and certification responsibilities to the Revolving Fund.

I would now like to briefly highlight each activity of the Program Management account.

Research

Our request for Research activities is $36 million, $3.8 million more than the comparable FY 1990 appropriated level. As we intend to use the $17.8 million FY 1990 Rural Health Care Transition Grant appropriation in FY 1991 as well as in FY 1990, no such grant monies are requested for FY 1991.

Our Research program will continue to concentrate on high-priority issues crucial to the agency mission. We propose to devote $6.0 million to studies of physician and ambulatory care payment systems, and $7.0 million to quality of care research. $16.2 million (or 45 percent) of the total request is required to fund projects mandated by Congressional legislation, including $5 million to carry on projects stipulated by OBRA 89.

Medicare Contractors

The Medicare Contractors request seeks funding for the operating costs of the private organizations that process claims, conduct Payment Safeguard activities, and provide program information to beneficiaries and providers. Our request is $1.58 billion, an increase of $129 million (or almost 9 percent) over the FY 1990 appropriated level. This includes a contingency reserve of $100 million, and $73 million earmarked for OBRA 89 activities.

The responsibilities of the contractors are the core of the Medicare program, and therefore HCFA's quest to improve the management of Medicare must in large part be focused here. We request moderate increases over FY 1990 appropriated levels in each of the primary Contractor functions. Our request for an increase in Payment Safeguards activities is particularly notable, for it recognizes the significant trust fund savings produced by these investments. Payment Safeguards include provider audits, contractor medical and utilization reviews, and the Medicare Secondary Payer program, which identifies situations where other insurers have primary payment responsibility.

Among the other highlights of the Contractors request is the full operation and planned enhancement of the Common Working File, an automated system which vastly improves claims processing operations through the institution of regional Medicare computer databases. In this and other initiatives such as shared systems maintenance and processing, our Contractors request vigorously pursues the promise which well-designed electronic data systems can offer.

Administrative Costs

The Administrative Costs activity of the Program Management account provides for the operating expenses of the Health Care Financing Administration. Our request of $285.3 million is $39.7 million (or 12 percent) less than the FY 1990 appropriated level. Similarly, our full-time equivalent (FTE) request of 3,577 is 440 positions under the FY 1990 level of 4,017. These reductions in funding and staffing reflect the effects of Catastrophic repeal, and the transfer of 380 Medicare and Medicaid Survey and Certification personnel to the new Revolving Fund account.

Included in the Administrative Costs request are two management initiatives of special note. The first is the Project to Redesign Information Systems Management (or PRISM), which constitutes the agency's comprehensive effort to upgrade its internal information systems. The other is the Current Beneficiary Survey, through which we will gather feedback from Medicare beneficiaries about the nature and costs of services, out-of-pocket expenses, and the overlaps of Medicare with other coverage. This on-going survey will provide the timely, detailed information required by the Congress, and necessary to enlightened Medicare policy analysis and policy-making.

Survey and Certification Revolving Fund

The proposed Survey and Certification Revolving Fund consolidates in a single account the various facility survey functions of the Medicare and Medicaid programs, along with the new schedule of inspections required by the Clinical Laboratory Improvement Amendments of 1988.

In essence, the total costs associated with direct surveys as well as corresponding Federal administrative expenses would be funded through user fees to be collected from all providers and suppliers. The entire survey and certification program would be self-financed, and would not require any appropriated budget authority in FY 1991 or in any subsequent year. User fee collections would totally offset the proposed $510.1 million in operating expenses, including the costs of the proposed 550 FTE staffing level.

Conclusion

Our FY 1991 budget request is the product of a coordinated Administration effort to improve the management of the Medicare and Medicaid programs, which together will serve the health care needs of more than 57 million Americans in FY 1991. This effort brings together concerns of cost, quality, and equity. We are confident that our request successfully addresses all of these concerns while expanding the agency's role in Federal deficit reduction.

I would be happy to respond to any questions that you may have.

STATUS OF ADMINISTRATION INITIATIVES

Mr. **Natcher**. Thank you, Dr. Wilensky.

Now, you are assisting Secretary Sullivan in his efforts to resolve the problem of access to health care. Can you tell us where this project stands and how soon Congress can expect to see the Administration's recommendation?

Dr. **Wilensky**. As you have indicated, I am involved in that effort. I am the vice chair of the Task Force that is headed by Mrs. Horner, the Under Secretary.

We are in the process now of reviewing the nature and the dimensions of the problem in terms of the populations at risk, those without health insurance coverage, and those in need of long-term care. We are beginning the task of establishing principles for the develpment of options, and reviewing the options themselves.

We will, when we have completed our activities, forward to the Secretary for his consideration these statements of both principles and options, for his use in the Domestic Policy Council activity that he will be heading. That activity will be going on, to the best of my knowledge, some time during the fall; and my expectation is that recommendations would be put forward later during this year. However, I am not sure exactly when that will be.

There is clear concern that has been expressed by the President and directed to the Secretary, and we are acting in a very expedient manner to try to respond to that request.

SURVEY AND CERTIFICATION PROPOSAL

Mr. **Natcher**. You have proposed to replace Federal financing of Survey and Certification activities with $510,000,000 in user fees. Do you have any indication that the authorizing committees will consider this proposal?

Dr. **Wilensky**. We are preparing legislation that would give us the necessary legislative authority. This authority is needed for several reasons, including the actual establishment of the revolving fund, and the use of the fees that would be collected in 1990 for 1991 activities.

There has been some discussion, I believe, with the committees on the proposed legislation that has been drafted. Isn't that right, Mr. Mosedale?

Mr. **Mosedale**. Yes, that is correct.

Mr. **Natcher**. If legislation is not enacted, Dr. Wilensky, how much funding will have to be added to your request to support survey and certification activities?

Dr. **Wilensky**. Three hundred and eight million dollars.

Mr. **Natcher**. Is there any risk of provider institutions exerting undue influence over survey staff if the institutions are paying the surveyors' salaries?

Dr. **Wilensky**. No, we don't believe so. The use of user fees for this type of activity is not unusual. Surveyors will be individuals who will report to State government agencies. We are confident that the fact that the costs will now be paid by the institutions themselves will not have any impact on the accuracy or objectivity of state surveyors.

NURSING HOME USER FEE ESTIMATES

Mr. NATCHER. What would be the annual certification fee for an average sized nursing home?

Dr. WILENSKY. We are in the process of trying to establish that. This is still under review. Our preliminary estimate, which should be regarded as simply an initial early projection, is that the fee would be approximately twelve-and-a-half thousand dollars.

Mr. NATCHER. Are you confident now that these institutions could absorb this cost?

Dr. WILENSKY. Yes.

Mr. NATCHER. You have been criticized for delays in assessing survey fees for clinical labs, as required by law. Should we question whether you could expand this system to other providers in 1991?

Dr. WILENSKY. That is an area that certainly has come into public controversy. It has taken us a substantial amount of time to go forward with the clinical laboratory survey program, because of a lot of dissension within the scientific and technical community as to what would be required to identify low-risk or risk-free tests.

We believe that the kinds of issues that are raised with regard to the surveying of facilities are much less complex. They will not raise the same sort of fundamental dissension within the scientific and technical community that clinical lab testing has. We think the major potential cause of delay will not be experienced.

Mr. NATCHER. As a result of legislative requirements, the cost of Survey and Certification is expected to rise from $198,000,000 in 1990 to $510,000,000 in 1991.

Do you expect further increases after 1991?

Dr. WILENSKY. Yes, most definitely. The bulk of those increases will be associated with clinical laboratory survey increases, as opposed to facility survey increases.

The specific amounts that we have projected is that in fiscal year 1995, for example, the total amount would be $1.2 billion as compared to the 1991 level of $510,000,000 that you just indicated.

The primary increase will be associated with CLIA 1988 regulations. Funding requirements for these activities will increase from approximately $190,000,000 in 1991 to slightly over $800,000,000 in 1995.

The other two components of the revolving fund, Medicare and Medicaid facilities certification, will increase in only a very modest way.

REALLOCATION OF CATASTROPHIC FUNDS

Mr. NATCHER. If you will now, describe the impact of the repeal of catastrophic health insurance on your 1990 program management account and tell us how you reallocated the funds?

Dr. WILENSKY. We reallocated the funds in several ways. Fifteen million dollars of the amount was used to pay for our Rural Referral Centers.

Thirty-two million dollars went to the Byrd Amendment addressing the war on drugs.

One hundred five million dollars, a large percentage of the total amount, was used to phase out the catastrophic program.

Payment Safeguard activities were increased by 114 million dollars.

As you can see, the two biggest components of the reallocation were the phasing out of the catastrophic program and the increase in funding for payment safeguard activities.

$45 MILLION TRANSFER TO SSA

Mr. NATCHER. How was it decided that your agency would give the Social Security Administration $45,000,000 to mail catastrophic rebate checks to beneficiaries?

Mr. WILLIAMS. Mr. Chairman, that decision was made at the department level. With the repeal of catastrophic supplemental premium deductions made to Social Security checks were no longer necessary. However, the computer programming at the Social Security Adminstration had already been done, and benefit checks were already ready to go.

It was decided by the Department to use some of the HCFA money available from the catastrophic program and provide it to SSA so that they could design a program with Treasury to reimburse to Social Security beneficiaries the excess amount of money that was being deducted from their checks.

We wanted to do this quickly and expeditiously. This approach was felt to be the best way to try to do that.

STAFFING FOR CATASTROPHIC HEALTH INSURANCE

Mr. NATCHER. How many staff were allocated to catastrophic activities in your original 1990 request, and now in your revised plan?

Dr. WILENSKY. One hundred twenty-five were initially allocated for these activities; 65 of these FTEs have been reallocated to other activities following repeal.

PAYMENTS TO THE HEALTH CARE TRUST FUNDS

Mr. NATCHER. We usually see double digit increases in the payments to the Health Care Trust Funds account. For 1991, however, you are projecting a 6 percent increase, and you expect $1.5 billion to lapse in 1990. What is happening to slow the growth of the Medicare Part B program?

Dr. WILENSKY. We are not entirely sure what is happening, and we would not like it to be assumed that there will be a continued slowdown in the future.

The apparent slowdown is in large part the result of an observed moderation of cash outlays during FY 1989 and FY 1990. It is not likely to continue into the future. While we think that there has been some observed slowdown, we think it would be a mistake to regard that as continuing in the future, because the underlying Part B growth rates are very high. Other factors contributing to the slowdown include revised economic assumptions, the absence of catastrophic—induced demand, and a change in claims payment cycles.

PART B PREMIUM

Mr. NATCHER. Tell us, if you will, what the Medicare Part B program premium is projected to be in 1991 and explain your legislative proposal for the premium.

Dr. WILENSKY. The premium projected for 1991 is $29.90 a month. It's an increase of one dollar and thirty cents over 1990.

The proposal that we have made is to permanently set the Part B premium at 25 percent of Part B aged program costs, but not less than the previous year's premium plus the Social Security COLA. This is essentially a 25 percent requirement with a minimum threshold increase.

Mr. NATCHER. Mr. Pursell, I yield to you.

HCFA STAFFING LEVELS

Mr. PURSELL. Thank you, Mr. Chairman.

I, too, am very pleased and honored to have a great leader from the State of Michigan, graduate of the University of Michigan, here before the committee for the first time.

It's an honor to see you follow Dr. Carolyn Davis from years back, who I think served four years, was it?

Dr. WILENSKY. Five.

Mr. PURSELL. She lasted five years, and if you can come close to that record, I will be very proud of your leadership.

We have had some rifts in the past few years, and we have restored a lot of that, thanks to Phil Lantry and others. Are we in pretty good shape staffing-wise in the regional offices and field? Do you feel comfortable that our levels are appropriate at this time, or do you see some changes now or in the future?

Dr. WILENSKY. I think that at the present time we are in reasonably good shape. I will have a better sense about that at the end of a year's time when I can see for myself what has occurred.

I would like to indicate that we have proposed in this budget a staffing increase of 110 FTEs. I believe that this increase will assist us in terms of some of our expanded activities.

Mr. PURSELL. What number would that put you at then?

Dr. WILENSKY. The total agency request is 4127 FTEs, with 3,577, in the Program Management account and 550 allocated to the Survey and Certification Revolving Fund.

Mr. PURSELL. Could you tell me what our low number was during the 1980s, what our lowest point in HCFA was, staffing level?

Dr. WILENSKY. In FY 1987, we were at an FTE level of 3,833.

Mr. PURSELL. Do you think if that were approved by the committee, the plus 110, that you would be at a pretty good stable level to be productive?

Dr. WILENSKY. Yes.

Mr. PURSELL. All right.

ANALYSIS OF REFORM PROPOSALS

Chairman Natcher commented about our study through Dr. Sullivan and you as vice chairman of the Study on National Health Insurance and its problems.

Tell us a little bit, what component can you add to that broad discussion on looking at the various congressional bills, and what might come out of the Administration?

Do you have the ability to draw on HCFA's staff to put a team together to make—look at national health alternatives, European studies, Canada, Germany and the like?

Do you have the team work to produce a quality project later on with a productive end result?

Dr. **Wilensky**. At the present time, a small group from HCFA and from the Assistant Secretary for Planning and Evaluation (ASPE) has been providing technical support to our internal task force, as well as technical support in reviewing the Pepper Commission report and other proposals.

It's possible that in the future we will want to set up, either within HCFA or jointly with ASPE, a group specifically established to do technical analysis of proposals generated by the Department, or to assess other proposals.

But at the present time, we think that the creation of such a group would be premature. The technical assistance of people from HCFA and ASPE has been very important, and at the moment adequate for what we are doing.

Mr. **Pursell**. Would you be using any outside contractors or consultants to deliver a final product?

Dr. **Wilensky**. Yes. We have been making use of existing contractual arrangements that HCFA and ASPE have to draw on some of the groups that provide us with modeling assistance and data analysis assistance. We will continue to do so.

POTENTIAL ADMINISTRATION PROPOSALS

Mr. **Pursell**. So with those staffing components being put together with some outside help, you indicated somewhat a fairly fast track outcome, although I don't know if any of us know what ultimately may come out.

Do you anticipate a major proposal by the Administration, setting aside Pepper and Kennedy and Grandy, and there are several other proposals out there, AMA and others?

Do you have a sense of that at this point?

Dr. **Wilensky**. I think it's too early. I think the interest on the part of the Administration, particularly the request by the President to Secretary Sullivan to review issues concerning access to care and to do so within a cost-constraining environment, is very clear.

I think that within a number of months we will have a better sense of the kinds of proposals that we would like to seriously propose for the Secretary's consideration, and that he may therefore propose through the Domestic Policy Council to the President.

With regard to the technical assessment group I mentioned, I suspect that as has happened in the past, that any of these proposals that may occur will have follow-up proposals and assessments that will be required. This is the reason that we have given some thought to setting up some specific technical capability within the Department, because it's not something that is likely to occur on a one-time basis.

Mr. **Pursell**. When you say "technical," and I understand that component as an essential part of any long-term proposal for national and private, public sector proposal that might develop, does that include a component that would be able to really cost out the finance piece of it and analyze the alternatives of financing health, a long-term health program?

Dr. **Wilensky**. I think this will ultimately be a critical component of any activity that the Department undertakes. Any changes that might be proposed would have associated with them assessments of the impact of those changes, as well as any corresponding financing that may be required.

Mr. **Pursell**. So you have a pretty good staff that could—we have better than just general estimates, we have some accurate figures on what the cost of those policy changes would occur?

Dr. **Wilensky**. We would certainly do our best to assess those kinds of changes. I am sure that we will be working with the Treasury Department in their computer modeling of potential changes. They have models that they use for both forecasting and changes in economic activity, as well as other capabilities that exist.

DEEMED STATUS

Mr. **Pursell**. My last question is, what do you see as far as deemed status at this point? What is the possibility and potential that in a year or two or beyond——

Mr. **Mosedale**. Is this for hospitals?

Mr. **Pursell**. Home care.

Mr. **Mosedale**. We are currently exploring a proposal by the National League of Nursing to do just that. As a matter of fact, I think the chairman also voiced interest in this proposal, and we are currently looking at that.

Mr. **Pursell**. Does that look fairly encouraging?

Mr. **Mosedale**. It does.

Dr. **Wilensky**. We also will be looking at deemed status for clinical labs as well, and have had discussions with several groups regarding the potential for deemed status.

Mr. **Pursell**. I have had briefings on it. It looks rather cost-effective to me long term. I just don't know what the total immediate financial limitations are.

Maybe you might supply that for the record, but I am very interested in that proposal. And I think it has a lot of opportunity long term, and I am very glad to hear your agency has taken a good positive look at it.

[The information follows:]

Deemed Status

HCFA is currently developing a regulation on "The Deeming of Accredited and State-Licensed Laboratories" (HSQ 181-P). This regulation will be cost effective for the following reasons:

Any laboratory which applies to a private, nonprofit accreditation or State licensure organization in order to receive accreditation or licensure by that organization pays a survey fee directly to the organization, independent of HCFA; and

Any entity performing laboratory testing pays a fee to HCFA for the issuance of a certificate or certificate of waiver, as required by CLIA 88. Although the fee required for the issuance of the certificate of waiver is nominal, the overall fees for certificates must be sufficient to cover the general costs of administration by HCFA, including the ongoing monitoring of accreditation and licensure organizations which accredit and license laboratories.

Therefore, the costs of deeming laboratories will be covered via the fee imposed on the laboratory for the CLIA 88 certificate, which is required by all laboratories (non-accredited, accredited, and State-licensed) in order to operate.

Mr. PURSELL. Well, I again want to welcome you to the committee. I know it's a challenging job; and what do they say, there are several, not too many countries in the world that has as big a budget as yours. What is the number now?

Dr. WILENSKY. Seven.

Mr. PURSELL. So as these democracies change around the world, I am sure HCFA is going to change, too, in light of our concern for the long-term health issues in this country, and I wish you the very best.

And I hope our committee, as it has in the past with our leadership here, can be as supportive as possible.

Dr. WILENSKY. Thank you very much.

Mr. NATCHER. Mr. Early, I yield to you.

PHYSICIAN ATTESTATION REQUIREMENTS

Mr. EARLY. Thank you very much, Mr. Chairman.

Dr. Wilensky, I'm delighted to have you here. I agree with Mr. Pursell's comment that you probably have the toughest job there since everyone is telling us how bad the health care delivery situation is; how expensive it is; how much needs to be done, and how there isn't any money to do it.

You have to come up with lot of solutions. I would suggest that the bureaucracy has to be streamlined. HCFA has to make a lot of tough decisions which, I think, will probably get you into new trouble.

HCFA presently mandates medical review requirements for DRG validation prior to submission of a medicare claim by hospitals and reimbursement.

As I understand the situation, HCFA requires both a physician acknowledgment, which is an annual hospital requirement, and a physician attestation, which is a per discharge physician requirement; is that correct?

Dr. WILENSKY. Yes, that is correct.

Mr. EARLY. Now, the annual physician acknowledgement, which must be retained on file, and the separate per discharge attestation statement, which must be appended to each medical record, strikes me as inefficient and administratively cumbersome for both the hospital and the physician, as well as a very costly administrative burden.

Don't the physician attestations only repeat, in effect, the earlier acknowledgment, Doctor?

Dr. WILENSKY. Our view, which has been established at the very strong insistence of both the Inspector General and the Department of Justice, has been that both are necessary for two reasons; first, that attending physicians understand the basis for the medicare payments; and second that they understand that they are accountable as individuals for the claim that they are making.

It's my understanding that the reason that the Inspector General and the Department of Justice feel so strongly that both of these must be present, the annual statement as well as the individual medical records statement, is they wanted to be sure that physicians were aware of the responsibilities they had, and the potential penalities that they would face in the event of prosecution. So I believe they regard it as a protection of physicians, ensuring that they understand what it is they are liable for.

Mr. EARLY. I wonder, wouldn't a one-time physician acknowledgment serve the purpose? I mean, that is the bureaucracy. You know, it's easy for the two people that you mentioned to say, oh, sure, have them do this, have them do that. Of those reports, and I would guess there is a bill for them, I would bet that not two of them are read.

Do you think many of them are read?

Dr. WILENSKY. No, I don't think many of them are read.

Mr. EARLY. I really mean it, Dr. Wilensky, your job is so tough, but we need to streamline that somehow.

Dr. WILENSKY. I would be glad to review this specific issue with the Inspector General.

Mr. EARLY. We should have the Inspector General or the HCFA administrator sign that he or she is you are responsible for every single one of those, and make sure you sign each one of them if you want them to do it. We need to cut down on some nonproductive costs in hospitals.

President Reagan came into office and said that he was going to cut the bureaucracy and cut the red tape; and that is just protection for the bureaucrat as far as I am concerned.

Are you aware of any problems serious enough to justify this type of a costly administrative burden?

Dr. WILENSKY. I am not aware, but as you know, I have not been here very long.

Mr. EARLY. I know that, but you certainly have the background, as Mr. Pursell mentioned.

Dr. WILENSKY. Thank you.

Mr. EARLY. A couple of your predecessors did an outstanding job; one was getting criticized all the time. But I think in your job you get criticism; that is when you are doing something.

Dr. WILENSKY. I will remember that.

Mr. EARLY. Doctor, would you review that, though?

Dr. WILENSKY. I will certainly review that.

Mr. EARLY. I wish you didn't say that you were going to check with those other people because they are going to give you legal answers; they are lawyers. It's we've got to do this, we've got to do that, and then we yell at Mr. Williams for not proceeding money for the productive programs. That is bureaucracy that has got to be eliminated.

Dr. WILENSKY. I will check to see if we have any flexibility.

[The information follows:]

PHYSICIAN ATTESTATION

I believe that to put this issue in perspective, it is important to understand the underlying rules. For each Medicare beneficiary hospitalized in an institution paid under our prospective payment system, the attending physician must attest to the diagnoses and procedures related to that hospital stay. This is commonly referred to as the physician attestation statement. It must appear in each medical record, and reads as follows:

> *I certify that the narrative descriptions of the principal and secondary diagnoses and the major procedures performed are accurate and complete to the best of my knowledge.*

The attestation statement does not contain any language about penalties for misrepresentation or falsification of information. Thus, on a yearly basis, every physician who admits Medicare patients to the hospital must sign a statement acknowledging that he/she has received a notice about possible penalties for misrepresenting the facts or submitting false information. This is referred to as the penalty statement, which is as follows:

> *Notice to Physicians: Medicare payment to hospitals is based in part on each patient's principal and secondary diagnoses and the major procedures performed on the patient, as attested to by the patient's attending physician by virtue of his or her signature in the medical record. Anyone who misrepresents, falsifies, or conceals essential information required for payment of Federal funds, may be subject to fine, imprisonment, or civil penalty under applicable Federal laws.*

Both the attestation statement and the annual acknowledgement are equivalent to similar statements used by most third party payors on claims forms.

Originally, the attestation and penalty statements were on each patient's medical record, as the Office of Inspector General (OIG) and the Department of Justice believed that the two statements should be read each time a physician assigned the diagnoses and procedures used for billing purposes, thus alerting the physician to his/her responsibility to submit accurate information.

Physicians complained about having to read the penalty language on each medical record, stating that it was onerous. Therefore, in the summer of 1984 we worked with the American Medical Association, the OIG, and the Department of Justice to reach a compromise that would meet the needs of each. The results of that collaborative effort is the attestation statement required for each case and the now yearly acknowledgement of receipt of the penalty language. Thus, physicians need only read the penalty language once a year.

Both the OIG and the Department of Justice maintain that the penalty language must be retained, and that at least on a yearly basis the physician should acknowledge that he/she realizes the importance of his/her attestations, and is aware of the possible penalties for submitting incorrect information. Therefore, as both the attestation and penalty statements must be retained, I do not believe that the attestation and annual acknowledgement statements are duplicative. In addition, I believe that the compromise reached (i.e., reading the penalty statement only once a year versus on each and every medical record) is far less burdensome than the previous system.

Mr. **Early**. You have flexibility.

I think that a single acknowledgment statement, to be kept on file at the hospital, would adequately resolve that. And will we get one or two instances of abuse? Yes. But that is the type of administrative cost that we have got to reduce.

Doctor, with regard to the cost of health care, I have reservations about physicians being allowed to own a piece of or to be financially involved in lab testing. That would seem to encourage testing every single patient for this or that.

Congressman Stark from California had a bill on that. Do you have an opinion on that subject?

Dr. **Wilensky**. I only know a little bit about his concerns.

The concern I had with what he was raising in his legislation is what would happen in some of the rural areas or smaller communities where it is, at least to my understanding, a frequent practice for the small number of physicians who are in these areas, to finance some of the laboratory services. Therefore, to disallow any physician ownership of labs could present problems of availability. My——

Mr. **Early**. My problem, I think, is a little different from that, Doctor. Let's use magnetic resonance imaging as an example. If the physicians own them, and, I'm speaking about an urban area, not a rural area, and the economics start to go bad for that laboratory, are they going to refer every patient there? It's an expensive piece of equipment.

Will that cost be picked up through your agency?

Dr. **Wilensky**. My own belief in how best to prevent that, although I understand that the legislation may be reintroduced, is to have patients made aware of any financial interest that a physician has in a recommendation that they make. The patient should be clearly aware of these situations, and oversight should be provided.

That is, I think that that has been——

Mr. **Early**. Doctor, the paper work that is going to create—can you imagine the paperwork for everyone that gets referred for a test? Are they going to fill out a form saying I own something or I don't own it? We are going to have a big stack of papers, and no one is going to read them.

Those are the things I think we have to get away from.

Dr. **Wilensky**. The concern that I have is what else you will lose if you don't allow the financial participation of physicians, especially in some of the smaller and more rural areas.

I think it's much less of a problem in urban areas where there are lots of laboratories, lots of testing, and a lot of capital available.

Again, my understanding is that concern has been raised about potential availability in some of our smaller areas.

Mr. **Early**. Our public health agency in Massachusetts denied many of these requests from doctors. Dr. Wilensky, every decision you have to make is going to be tough.

I have a problem in my own area, Doctor, that I would like to speak to you about after the hearing, it's a city hospital that is going to go out of business unless HCFA uses some common sense.

Dr. **Wilensky**. I would be glad to talk to you about that. Absolutely.

Mr. **Early**. Again, you have one of the most difficult jobs there is. It's easy to add more paper work to protect yourself.

And I hope we stay away from that.

Dr. **Wilensky**. I agree.

Mr. **Early**. I am going to yield to Mr. Conte.

Mr. **Conte**. Thank you, Joe.

Mr. **Early**. He's the boss. I am yielding to him, and he is the boss.

MEDICARE SUPPLEMENT COVERAGE

Dr. Wilensky, I join the other committee Members in welcoming you to our committee today. You have a top notch record.

You left Project Hope to come to Project HCFA. All of us on the committee have high expectations and you are following in mighty big footsteps after Bill Roper, who was here earlier today. But we all know that you will meet those expectations with flying colors.

With the repeal of catastrophic last year, we are back to square one in providing decent health coverage for our seniors.

What is the current estimate of the number of medicare beneficiaries who have no other health insurance coverage?

Dr. **Wilensky**. Besides Medicare? Twenty percent.

Mr. **Conte**. Twenty percent have only medicare.

What's the best way to address these individuals' health care needs?

Dr. **Wilensky**. I think that we need to assess what we want to do and not on a piecemeal basis. As you may know, there has been some consideration already to doing minor expansion of benefits to replace some of the benefits that were initially under catastrophic.

I think that what we need to do now is to look at what we are going to do with regard to catastrophic care. There was a real problem being addressed that is, in fact, no longer addressed as a result of the repeal.

And there is at least one additional very serious problem for the elderly population, and that is long-term care. And I think what we need to do now is to go back and decide what we are willing to propose for both of these areas, and not to try to make little piecemeal additions.

MEDIGAP INSURANCE RATES

Mr. **Conte**. The repeal of catastrophic has pushed medigap rates right through the roof all over the country. Massachusetts has seen its rates go up 67 percent. What has been the magnitude of medigap premium rate hikes nationwide since the repeal?

Dr. **Wilensky**. I don't know that we actually have those estimates available, but we hear anecdotes that suggest that Massachusetts is not unusual.

Mr. **Conte**. See if you can get something for the record.

I keep reading them, and Congressional Quarterly and other publications. It's all over the country.

Dr. **Wilensky**. We will present what information is known. It's unfortunately not readily available because there is no way we have of collecting that information.

[The information follows:]

MEDIGAP PREMIUM INCREASES

The extent of the anticipated rise in Medigap insurance premiums following the passage of the Medicare Catastrophic Coverage Repeal Act is just beginning to become apparent.

HCFA, which has no authority to regulate these rates, does not independently monitor or survey premium increases. Rather, we rely on the findings of other organizations, both public and private, for information in this area. We can only share with the Subcommittee the information which we are familiar with at this time.

The General Accounting Office (GAO) has recently compiled a report entitled "Medigap Insurance: Premiums and Regulatory Changes After Repeal of the MCCA and 1988 Loss Ratio Data." In this study, 20 respondents to a GAO survey of 29 commercial insurers revealed that 1990 Medigap premium increases are expected to average 19.5 percent. The companies attributed half of the rise to increased benefits and administrative costs necessitated by the repeal of MCCA. The remainder of the increase was ascribed to inflation, increased utilization of services, and prior year claims experience.

The Blue Cross and Blue Shield Association, in testimony before the House Ways and Means Subcommittee on Health on March 13th of this year, reported the results of a survey of 38 of its constituent organizations. According to this survey, the median expected increase in 1990 non-group permiums is 29 percent.

Mr. **Conte**. Do you think these rate hikes are justified?

Dr. **Wilensky**. Well, I think we knew that some rate hikes would occur. It seems like the increases are larger than most people were expecting. We hope that perhaps it will make the use of some of our alternative delivery systems like health maintenance organizations or preferred provider organizations a more attractive alternative for the elderly population. In these managed care systems, I think they can get good coordination of their care and they can get better value for their money.

Mr. **Conte**. What have you been doing, what has HCFA been doing to monitor the impact of medigap premium increases?

Dr. **Wilensky**. Well, as I am sure you know, the Medigap industry is part of the insurance industry, which is regulated by the states. Medigap is not regulated by HCFA. Medigap policies do have to meet certain conditions that were a priority of the Baucus Amendment of the early 1980s.

What we have been doing, however, is to try to develop some proposals involving managed care. As I have indicated, this is an area that I personally believe, and the agency and the Administration believe, offers a lot of potential. Managed care offers better quality care because it provides more coordinated care for an elderly population that frequently has many prescription drugs, some of which may adversely interact with each other, and also many different types of physicians.

In addition to being better quality care, managed care will provide better value for their money and would represent an alternative to the very expensive fee-for-service medicine that their medigap policies are covering.

Mr. **Conte**. Have you received any requests from any states for approval of changes in their medigap regulatory programs as required by last year's repeal law?

Dr. **Wilensky**. Not that I am aware of, but we will check and introduce that, also, to the record if that is incorrect.

[The information follows:]

Regulation of Medigap Insurance

On December 7, 1989, the National Association of Insurance Commissioners (NAIC) revised its model regulation, as required by the Medicare Catastrophic Coverage Repeal Act of 1989 (MCCRA), to conform to the changes made by the law and to make other improvements in Medigap regulation. Among these other improvements, the NAIC adopted several consumer protection provisions aimed at reducing churning and twisting in the marketplace (by limiting agent commissions); prohibiting the sale of more than one Medigap policy except under certain circumstances; requiring gauranteed renewability of policies; requiring the outline of coverage to be clearly arranged in two major categories: the minimum benefit standards and "addons"; requiring insurers to establish marketing standards and auditable procedures for verifying compliance (twisting, high pressure tactics and deceptive cold lead advertising are specifically prohibited); and assuring that inappropriate insurance will not be sold (e.g., preventing the sale of Medigap to Medicaid eligible recipients or individuals with other private insurance).

Because the President had not yet signed the repeal bill at the time of the NAIC meeting, the NAIC made its model regulation effective with the President's signature (December 13, 1989). Under MCCRA, States have until December 13, 1990, to incorporate the new standards into their regulatory programs by law or regulation. (States vary as to the methods of incorporation required or permitted by State law).

To date, no State has submitted finalized regulations/legislation to HCFA's support staff to the Supplemental Health Insurance Panel (SHIP). However, 14 States have sent in either proposed legislation or regulations. The tentative date for the next meeting of the SHIP is in early June. It is anticipated that several States programs will be ready for consideration by that time.

Mr. **Conte**. Do you anticipate that all states will conform to the revised medigap regulatory standards this year?

Dr. **Wilensky**. I don't know the answer to that.

Mr. **Conte**. Pardon?

Dr. **Wilensky**. I don't know the answer to that. I will give you that for the record.

[The information follows:]

State Compliance With Medigap Standards

We do not anticipate that all States will conform to the revised regulatory standards. Several State insurance departments are experiencing problems in working with their legislatures in attempting to have enacted the consumer protection amendments adoped by the NAIC in December 1989. Particularly troublesome is the area of agent compensation.

ESTABLISHMENT OF A MEDICAID BUREAU

Mr. **Conte**. You have proposed the creation of a separate medicaid bureau whose chief will report directly to you.

Dr. **Wilensky**. Correct.

Mr. **Conte**. What is the status of this change? HCFA originally had separate medicare and medicaid units until the early 1980s. Why is this decision being reversed at this time?

Dr. **Wilensky**. The status is that Secretary Sullivan approved the proposal on March 8th. We are starting the process of implementing the reorganization, and I am currently interviewing individuals to be the Medicaid Bureau director.

It was my observation that Medicare was dominating the activities of HCFA. Having Medicaid components in the operation lines of HCFA tends to give the Medicaid folks less attention than they need. Medicaid personnel have been too diffused throughout the agency. It's my hope that by pulling them together and putting them into a single bureau with a director who reports directly to me, it will both make them more accountable and more cohesive as a unit.

Mr. CONTE. Right now both the medicare and medicaid aspects of a given function such as eligibility policy, data processing are performed by a single unit responsible for that function.

Dr. WILENSKY. Right.

Mr. CONTE. Could the establishment of a separate medicaid unit lead to duplication of effort or deprive the medicaid program of expertise that is currently available in the combined units?

Dr. WILENSKY. We don't believe so. Those are certainly issues that we considered before proposing the Medicaid Bureau: whether we could make the separation without having duplication of services. Medicaid personnel will, in fact, consult with personnel in Medicare who have relevant expertise.

We have observed what happened during the last number of years, when Medicaid workloads were integrated with Medicare functions in the organizational structure. That had the undesirable, though I believe unintended, effect of giving Medicaid short shrift within the agency.

I can assure you that we are very mindful of the two concerns that you have raised, and I believe we can take steps to safeguard against these potential problems.

HOME HEALTH GUIDELINES

Mr. CONTE. Last year, HCFA issued no coverage guidelines for medicare's home health benefits, and in these guidelines, you provided a new definition of the extent to which care can be provided on a daily basis.

What has been the reaction to this definition? What are you doing to assure that the guideline is being implemented on a consistent basis across fiscal intermediaries?

Dr. WILENSKY. We are in the process of developing a proposed regulation which will define some of the areas that need to be defined, such as part-time and intermittent care. We are also developing intermediary manuals which will conform with the revised policy that HCFA has issued.

Intermediary training sessions have been presented by HCFA previous to the July 1989 manual revision effective dates, in an attempt to ensure consistent treatment of claims throughout the country. But these training efforts are in progress, and are not yet a completely accomplished activity.

PEPPER COMMISSION RECOMMENDATIONS

Mr. CONTE. What do you think of the Pepper Commission recommendations? Do you think their proposal to require large employers to provide health care coverage or to pay into the public plan is an appropriate way to expand the coverage?

Dr. WILENSKY. Well, large employers are generally not the problem. Large employers by and large do provide coverage. My concern is the Pepper Commission proposed requirements with regard to small employers. I think that these provisions raise the danger that we will thwart some new small business formation, which is a very major source of employment. These provisions would also place some minimum wage workers at risk of losing their job, particularly when combined with the newly enacted increased minimum wage bill that will be going into effect over the next three years.

I think there are components of the Pepper Commission report which are important and helpful, particularly some of proposed insurance industry reforms. However, I am personally concerned as to whether or not in attempting to provide access to health insurance coverage some of the Commission's proposals will have unintended adverse effects on employment and economic growth.

Mr. CONTE. The Commission has been roundly criticized for not specifying the sources of revenues needed to implement their proposal.

What sources do you think would be appropriate for providing coverage for the uninsured? What sources of revenue would be appropriate for financing long-term health care; extend taxes, or what?

Dr. WILENSKY. Well, taxes have been a favorite of ours in the past in this country. I think that it would have been better had the Pepper Commission put forth, if not the definitive financing schedule that they thought was appropriate, one or two financing packages that they believed could possibly finance this rather substantial proposed increase in expenditures.

I am quite sure that if the Administration comes out with a proposal, either for addressing the uninsured or addressing long-term care, it will have very clearly stated associated financing proposal with it. The Administration will not put out a benefit package that does not include, if necessary, a financing plan.

Mr. CONTE. That is the only way to do it. I mean, you just can't come up here and give them pie-in-the-sky and not come up with a pie.

Dr. WILENSKY. It's a lot of money.

MEDICARE CLAIMS GROWTH

Mr. CONTE. I understand that the am is asking for about a 4 percent increase in operating funds for medicare contractors, and you can get this for the record.

The budget request assumes almost no growth in the volume of medicare claims. Yet in recent years, the annual increase in claims has averaged around 9 percent.

I understand that HCFA has projected a claims volume increase for fiscal year 1991 in excess of 10 percent. Will the amount requested in the budget be sufficient for contractors to meet their statutory floors and ceilings for claims payments, and is this budget likely to result in a major slowdown in claims processing and payment, and is there going to be a huge backlog in unpaid claims piling up across this country of ours?

Get that for the record.

Dr. WILENSKY. Fine.

[The information follows:]

SUFFICIENCY OF CLAIMS PROCESSING REQUEST

Our FY 1991 request is based on an assumption of very slow claims growth. This assumption is not consistent with the historical growth of Medicare claim receipts; however, we believe there are indications that historical growth rates are declining. Should our expectation be incorrect, we believe that there are adequate funds in our contingency request to process any additional claims we may receive beyond our current estimate. We do not expect that our budget request will result in significant claim backlogs.

Mr. CONTE. I yield to Mr. Pursell.

We will recess until Mr. Natcher comes back.

[Recess.]

Mr. NATCHER. Mr. Stokes, I yield to you.

Mr. STOKES. Thank you, Mr. Chairman.

Dr. Wilensky, I too join in welcoming you before our subcommittee. It's a pleasure to have you here.

Dr. WILENSKY. Thank you.

PEPPER COMMISSION RECOMMENDATIONS

Mr. STOKES. You may have answered this question in part. I served on the Pepper Commission, and I was concerned about our recommendations. Have you had a chance to read them?

Dr. WILENSKY. Yes, sir.

Mr. STOKES. You have. And what was your reaction to the recommendations?

Dr. WILENSKY. There is a long list of recommendations, so let me give you a general reaction.

I think that the Commission served a very important function. I testified before the Commission last July on issues of access to care. I think that the members have taken the important step of trying to look at the various pieces that are missing in our national health care system, and to come up with a whole scope of changes that would address problems of access to care for the uninsured and long-term care.

They have included some very important insurance industry reforms that I believe will probably be a priority of almost anyone's reform package.

I think there are some very important reforms that would assist expanding access, no matter what the particulars that you put along with it; and I think they have looked at the questions of long-term care in more detail than many other groups.

And finally, I think it's very important that they try to lay out a phase-in period of four or five years to mitigate some of the problems that would arise if you tried to implement such dramatic changes as those proposed by the Commission.

I personally have some questions about two aspects of the Commission report, although these are not issues that are easy to resolve. They really require tradeoffs as to what you are trying to do and how well you can do it.

I mentioned earlier that I have a concern not so much about the big industry proposals, but about small firms. After a couple of year phase-in program and tax credits, small firms would be required to provide health insurance to their employees, and to pay a substantial contribution to a public fund.

The concern I raise is one that others have raised: that is, in our efforts to broaden access to insurance coverage, will we thwart the development of new small businesses in this country, which remains such a very important source of employment growth? Will we put some minimum wage workers, particularly those outside the Northeast corridor, which tends to have relatively few minimum wage workers, at risk of losing their job? This concern is particularly relevant because Congress has just passed a minimum wage bill that will serve as another minimum wage increase equivalent.

The other area that I didn't mention earlier is a concern about the entitlement program and social insurance component that is part of the Commission's long-term care package. My concern particularly relates to the aging of the population. We know we are now just entering a demographic era marked by an aging trend that will have extremely serious public policy consequences over the next 20 to 30 years.

We know we will have some difficulty maintaining the Medicare Trust Funds into the middle of the first decade of the next century even under the current benefit schedule. I am concerned not so much about the benefits per se, but about an entitlement addition with social insurance as proposed by the Commission.

I think these are two areas that I am sure will get explored, in great detail, and that will inspire other alternatives. You and the other members of the Pepper Commission have taken a very important first step, which is to say, "Here are the comprehensive changes that we propose." I assume, by implication, for all of those of us who have some criticisms that it's up to us to put forth alternative packages.

Mr. STOKES. Well, I appreciate that very much. You have obviously studied and reviewed in depth those recommendations. Certainly we appreciate your criticisms because we certainly did not feel that our recommendations would be any panacea.

But we did the best we could do with the 15 of us who comprised that panel, and we think that there is a responsibility for the American people to come forth with suggestions relative to that plan.

So I appreciate that.

Dr. WILENSKY. I agree.

FEDERAL IMPACT ON STATE MEDICAID PROGRAMS

Mr. STOKES. Now, in your opening statement, you mentioned there have been a number of changes to the Medicaid program over the past few years.

The states have had a difficult time implementing these changes. In fact, the majority of governors have called for a moratorium on Medicaid changes to enable them to adjust to the latest changes.

Do you have any way of evaluating the degree to which the states have been able to implement recent changes to the Medicaid program?

Dr. WILENSKY. Well, even prior to the Federal requirement of going to 130 percent of the poverty line for prenatal care in young children, many of the states had taken advantage of their earlier option to do so.

And there are a number of states that are taking advantage of the existing option to go as high as 185 percent of their poverty line for pregnant women and young children.

I think that there is interest on the part of the states, which I believe is quite appropriate, in requesting some time to assess the impact of the changes that have been imposed on them. Particularly in the areas of prenatal care and young childrens' care, I think it's important that we recognize that it's not only financial access to care that counts, but also the delivery of services. We will have to allow some time for the states to address delivery issues, as well as the financial issues relating to access. HCFA is very interested in working with the Public Health Service, which does a lot of our direct service delivery, to see whether or not we can try to foster timely and efficient assessments of impact. I am meeting with Dr. Mason, our Assistant Secretary for Health, to make sure that the Public Health Service and HCFA are coordinating their efforts.

We have a maternal and infant initiative of our own at HCFA, and I think this is an important area to emphasize. I have some sympathy for the states and their reaction, but it's clear that some states have taken as much advantage of Federal matching as has been allowed and have, in fact, gone to the full 185 percent of the poverty line.

FY 1991 RESEARCH ACTIVITIES

Mr. STOKES. Doctor, can you describe for us in a little more detail HCFA's research plan for fiscal year 1991?

Dr. WILENSKY. Okay.

Mr. STOKES. I am particularly interested in your quality of care research.

Dr. WILENSKY. There are several major research initiatives that we are proposing. Two of the most significant areas are the one that you mentioned, quality of care, and physician and ambulatory care payment systems. The total amount of money that we have for quality of care is a little under $7,000,000, $6.9 million. A little under $6,000,000 is devoted to physician and ambulatory care payment systems.

Our quality of care research includes several studies that look at the quality of inpatient and outpatient care treatment in the Medicaid population. Generally, we are trying to look at issues such as appropriateness, necessity, and effectiveness.

HCFA NURSING HOME REPORTS

Mr. STOKES. Doctor, last year I discussed with Mr. Hays, the Acting Administrator of HCFA at that time, the controversial report on nursing homes that was issued in December of 1989.

You might recall that several state agencies were very distressed about the results of this survey of nursing homes.

In my own state, the State of Ohio, the health officials disassociated themselves with the report.

Can you tell us when the agency will conduct another survey of this type?

Dr. WILENSKY. Another survey has been done. I believe that the report is at the printer right now, and HCFA anticipates that it will be releasing the information some time this spring.

We believe that this report will be more useful than the first report because it will give information for two years rather than a single year.

I believe that while the information can always be improved, and we would welcome comments from the industry and from the Members about the survey information that we are collecting, it's very important to continue to do this research, and to make this information available to the public.

I think that like the hospital mortality data published by HCFA, the best way to make improvements in this information is to disseminate it, with all the appropriate caveats. In this way, we can invite and encourage responses from consumer groups and the industry in the interest of improving our efforts. I think that is the best way to make it a more useful report.

Mr. STOKES. Thank you very much, Dr. Wilensky.

Dr. WILENSKY. You are welcome.

Mr. NATCHER. Mr. Porter, I yield to you.

FOOD ALLERGY TESTING UNDER MEDICARE

Mr. PORTER. Thank you, Mr. Chairman.

Dr. Wilensky, let me begin by welcoming you and saying that we are very glad that you are here. We know you will do a very fine job as the head of HCFA.

I have to start with a complaint that you have nothing to do with, but let me kind of read this to you.

Last year I submitted several questions to your predecessor, Mr. Hays, regarding Medicare coverage of provocation neutralization testing and immunotherapy for food allergies.

As you know, this was not a big budget item, and HCFA discontinued coverage for these services in December of 1988.

At the time, HCFA left the record open for public comment. I know that at least one clinical study by Dr. King was submitted for the record.

Mr. Hays told me at last year's hearing that the study had been sent to the Office of Health Technology Assessment, and they were to report back to you.

I understand that OHTA has finished the assessment and reported to HCFA, yet over a period of several months my staff has not been able to obtain a copy of this report.

Public Health Service claims to have performed no such analysis, and HCFA simply has not provided my office with any useful information about it.

Will you send me a copy of OHTA's assessment and tell me when I can expect to receive it?

Dr. WILENSKY. I will certainly send you a copy, and we will make sure that you get it right away.

I am aware of the analysis that the Office of Health Care Technology did. HCFA requested an analysis in March of 1989. OHTA, to the best of my knowledge, indicated that there was no reason to change the initial conclusion they made following this earlier notice by HCFA.

What I think has occurred is that there has been a tremendous volume of responses. I was told that there was something like 30,000 comments that were received following publication of our proposed rule. Nonetheless a substantial amount of time has elapsed. It's my understanding that I will receive a recommendation for final action very soon, and I will try to make sure that that decision occurs as quickly as possible.

I can, however, get you a report immediately, and will do that.

[The information follows:]

As requested, the appropriate materials have been submitted to Mr. Porter's office.

ILLINOIS MEDICAID IN-HOME WAIVER

Mr. PORTER. I would appreciate that very much.

I want to ask you about a program in Illinois that helps to keep disabled individuals in a home setting rather than in an institution.

As I understand, HCFA grants Medicaid waiver to the Illinois Department of Public Aid that allows individuals to receive Medicaid assistance for in-home care so long as the cost does not exceed that of institutional care.

I supported this waiver in the past, but last year some groups in Illinois raised several disturbing objections to the waiver.

The current waiver has been extended until March 29, 1990. Have last year's problems been worked out, and when will you make a decision on the waiver renewal?

And finally, what is your opinion of the Illinois program overall?

Dr. WILENSKY. I will have to get you the answer to that. I'm not familiar with that particular waiver.

Mr. PORTER. Will you get me an answer before March 29?

Dr. WILENSKY. Absolutely.

[The information follows:]

ILLINOIS HCBS WAIVER

HCFA was not aware of any particular issues raised by hospitals regarding the Medicaid home and community-based services waiver for the physically disabled in Illinois. This waiver program was first approved as a consolidated program, with a program for the aged, in 1983. In 1986, at Illinois' request, it was separated from the aging program. This has led to data coordination and reporting problems which have persisted into the current request by Illinois to renew this program for a 5-year term. In addition to data problems, we are concerned with several other issues in the renewal request, including the relatively high level of projected growth in the program and the delegation of significant Medicaid agency authority to another State agency.

As we discussed with your office, we have granted Illionis an additional 90-day extension of its waiver to permit the State adequate time to address additional concerns. We are working closely with Illinois staff to resolve the remaining issues which have prevented approval of this program.

The national evaluation of the HCBS waiver program which HCFA funded has suggested that the demand for waiver services has resulted in many persons being served in waivers who would not otherwise use institutional care. This forces us to question the cost neutrality of the program. In this context, we have asked Illinois to show that the significant growth in its program preserves cost-neutrality. We are also requesting that the State assure that the responsibility of the Medicaid agency for the waiver program will not be compromised by the delegation of key policy and operational areas to the State's disability agency.

My overall impression of this program does not differ from my general position on the HCBS waiver program. This is a program which provides many people services which are needed and are generally of good quality. However, it is an area in which unrestricted growth can easily compromise cost-neturality and an area in which the flexibility given States must be tempered with accountability for both the quality of services and sound financial management.

BASIC REFORM OF THE HEALTH CARE SYSTEM

Mr. PORTER. Let me talk about medicare in a broad way. I am finding out that nobody likes DRGs. The hospitals don't like them, the doctors don't like them, the patients don't like the system, nobody seems to like it.

Because of Medicare and problems with Medicaid, problems with undercovered populations in our society and populations with no coverage at all, problems with the need for long-term care. I wonder if we aren't approaching some kind of a crisis where we are going to be making some very large changes in our entire system.

Do you feel that way?

Dr. WILENSKY. People are starting to talk that way, but I am not sure that we have actually gotten to the point of massive, system-wide change.

VOUCHERS IN THE MEDICARE PROGRAM

Mr. PORTER. I have to say I am sort of amazed to hear many Americans as they watch Eastern Europe and even the Soviet Union dismantling their statist systems talk about a national health care system that would be run by the government. It seems to me that the experience everywhere is that that doesn't work nearly as well as one that would be run outside the government.

Are you doing anything to look into alternatives, particularly into an alternative that would empower senior citizens by giving them a consumer voucher and allowing them to purchase coverage in the private sector—integrated packages that would be offered in competition with one another.

That seems to me to be the logical step toward our working out our problems, and do what we do so well in America. That is let the market help us allocate resources and bring the best possible product at the lowest possible cost.

Have you been looking at that?

Dr. WILENSKY. The concept of a voucher per se has had a little trouble getting a lot of popular support, at least during the past few years. But a very important change occurred in the 1980s, the TEFRA HMO provisions, that are a type of voucher and represent a very important precedent.

This provision allows elderly individuals to find health maintenance organizations that will provide all of their Medicare benefits, either at the price that comes directly from Medicare or, as a very important option allows these HMOs to offer more benefits and to charge some additional amount to the elderly person.

It's this notion that makes this TFRA HMO a type of voucher and a very important one, because while individuals cannot take less than Medicare, they can either opt for a Medicare package or they can opt to take Medicare and some additional services and to do so in alternative settings.

I am a very strong proponent of managed care types of strategies. We have put forth as part of the President's budget a proposal to encourage preferred provider organizations, in addition to our past encouragement of health maintenance organizations for the elderly population.

I think that at least in the short term, this may be an easier transition away from our current system into competing plans of care.

I believe, as I mentioned earlier, that you not only get better value for your money when you are in a plan as opposed to a la carte medicine, but that frankly better quality care is likely to be provided as well, because of the coordination and oversight that comes as part of managed care plans.

With regard to your earlier question as to where we are in our sense of national concern and dissatisfaction, there is no question that there is a lot of frustration in this country right now about the continuing rapid rate of increase in health care costs, and also about the fact that we have large numbers of people without health insurance. These dilemmas have created distress in many medical institutions, and medical and financial vulnerability for individuals. What is not clear to me is that there exists much in the way of a consensus in this country about where we would like to go, and how we would like to get there.

However, I think that phase is beginning to emerge and I think that the Pepper Commission was the first salvo by what I believe will probably be a series of groups that try to come forward with plans to address these problems of access and to do so in a cost-conscious environment.

The Administration intends to respond to these emerging concerns; the Secretary will be responding to the President's charge to him. The Advisory Council on Social Security is due to report its health recommendations at the end of July.

Through these activities and other leadership we hope to provide, I think that we will see whether or not we can get beyond frustration with what we have presently to a sense about where we want to go in the future. I think that that is lacking right now, and it will be hard to make a big change. And frankly, it will be hard to even make a series of little changes until we have some idea about where we want to go.

Mr. PORTER. Well, my 85-year-old mother is a member of an HMO.

Dr. WILENSKY. Good for her.

MEDICAL LIABILITY

Mr. PORTER. The HMO does a very good job for her; and she loves it.

And it adds one dimension, I think, and that is you can get a lot more effort on the preventive side than you can get through what you described as a la carte medicine. You get a real wellness approach that I think is important.

Well, you are going to be at the heart of this debate sitting where you do, and I want to put in a vote for a system that would work more in the private sector and utilize the talents Americans have for marketing and using free markets to get a good result.

I think it would get a good result in medicine. Yes, it would require more integration, but that would be helpful to the patient as well as to the provider community.

Finally, let me ask you about medical liability. That is another big part of the problem.

Dr. WILENSKY. Yes, sir.

Mr. PORTER. Maybe a $15,000,000,000 part or maybe even more.

What have you been looking at to try to address that problem and get some progress made, since very little progress has been made?

Dr. WILENSKY. There is a Domestic Policy Council workgroup on physician liability involving individuals from various organizations not only of HHS but of Justice and other parts of the Administration. There is a representative from HCFA that sits on this workgroup.

One of the major difficulties involved with the liability problem in my personal non-lawyer view is that this has been traditionally a matter of state law. It has been very difficult for the Federal government to step into this facet of the law. This is a difficult problem to resolve, a difficult problem to balance the interests of the individual and the right of recourse in the case of negotiation with the burdens that are being imposed on the system and the costs involved. There is an additional problem in the fact that there has been great reticence to take this on as a Federal issue and to take over what has been in our history a state issue.

However, there is at least a higher level of Federal concern than I am aware has existed in the past. As I say, I know that the Domestic Policy Council is working on this, and I understand this group will issue a report relatively soon. Importantly, this is an issue that the President discussed in his John Hopkin's speech last month.

So I think that we may be taking a somewhat expanded view, but we are still going to have to resolve the problem about whether we in the Federal government are going to try to change what has traditionally been a state program.

Mr. PORTER. Well, I don't think we need to, and I don't think the President, in his remarks, indicated any intention to do so.

But if you think back about five or six years, we had a problem with drinking ages in the United States being very different among all of the states, and we put a little provision in that said if you don't change the drinking age to 21 in every state, you will lose a portion of your highway trust funds.

Lo and behold, three or four years later, every state had changed to 21. I don't even know that we need to do that. That is the stick approach.

I think a carrot approach would do wonders to make states make the changes in a balanced, fair and equitable way, and fast, perhaps.

Dr. WILENSKY. We certainly don't have fairness or equity today.

Mr. PORTER. And again, I think leadership in your office would help a great deal, and I am glad to see that you are doing what you are doing.

Dr. **Wilensky**. Thank you.

Mr. **Porter**. Thank you, Mr. Chairman.

MEDICARE CLAIMS VOLUME

Mr. **Natcher**. Dr. Wilensky, as Mr. Conte pointed out a few minutes ago, during the last five years the annual increase in Medicare claims processing volume has averaged more than 10 percent.

Why does your 1991 request assume a volume increase of less than 1 percent?

Dr. **Wilensky**. Well, as I indicated earlier, we have observed a slowing down in the cash outlays for Part B, but we are concerned about whether that is likely to continue or not.

We have requested a contingency fund in case the FY 1991 workload in fact increases more than our current budget estimates. Although we are hopeful we have made accurate projections, we believe the contingency will take care of any presently unforeseen growth in claims volume.

Mr. **Natcher**. What rate of increase in claims volume was assumed in your agency's original request to OMB?

Dr. **Wilensky**. Nine percent under Part A, and 12 percent under Part B.

Mr. **Natcher**. Have you received later information that would cause you to adjust that estimate in any way?

Dr. **Wilensky**. Well, as I indicated, there has been a decline in our projections. We think that if current trends were to continue, claims growth in 1991 would probably be closer to 5 percent, although it may not even be as high as that.

We do believe that the 9 and 12 percent that we initially estimated were too high.

Mr. **Natcher**. Why do you assume an inflation rate of 3.3 percent for claims processing when the President's budget assumes a general inflation rate of 4 percent?

Dr. **Wilensky**. My understanding is that claims processing workload calculations were made under an earlier set of economic assumptions.

Mr. **Natcher**. Using your best estimates of claims volume and unit cost, how much funding would need to be added to your 1991 contractor request?

Ms. **Wilensky**. Fifty-six million dollars.

CONTRACTORS CONTINGENCY FUNDING

Mr. **Natcher**. Why do you request a $36,000,000 outlayed contingency for Medicare contractors, and tell us, Dr. Wilensky, aren't contingencies to be used when there is an uncertainty about whether funds will be outlayed?

Dr. **Wilensky**. There are several contingency funds that are included in our budget. There are two contingency funds of $36.5 million, and there is a contractor contingency fund of a hundred million dollars.

We think that together these contingency funds will cover any realized excess of claims, as well as funding for contractor transition payments, if it turns out that we need that as well.

So we believe that the three amounts that we have set aside as contingency funds will in fact provide the funding needed if it turns out that the claims growth is not as flat as we had hoped, or in the event of other unforeseen workloads.

Mr. NATCHER. Your proposed contingency fund is much larger than in previous years Are you uneasy, Dr. Wilensky, about having so much of your request in a contingency fund, given OMB's past reluctance to release the money?

Dr. WILENSKY. I haven't gone through this before, so I probably will know more how I feel about it a year from now.

We think that there are several facets to the FY 1991 contingency issue which are not normally present. There obviously are even in normal years, contingencies that one budgets for.

In addition to potential contractor transitions, and in addition to uncertainty about whether the slowdown in the observed Part B claims is likely to continue, we also had some uncertainty about implications from OBRA 89, and we were unclear as to how much they were likely to cost us.

But we think that together we do have a sufficient amount of money. It's correct, as you have noted, that it's a larger contingency than we have had in the past. We think there are more issues requiring contingency planning than we have had in the past.

Mr. NATCHER. In the last few years Congress has created new entities such as the Physician Payment Review Commission and the Agency for Health Care Policy Research to conduct research that might have been performed by your agency.

What research are you pursuing at this time that could not be performed by these other groups?

Dr. WILENSKY. What are we pursuing?

Mr. NATCHER. Yes.

Dr. WILENSKY. Well, there are many parts of it. Let me take the groups one at a time. The Physician Payment Review Commission and HCFA both engage in studies concerning physician payment reform, but there are some distinct differences in terms of our orientation. The Physician Payment Review Commission has had a number of studies concerning policies regarding physician payment. It has been much less concerned with implementation and actual delivery because they aren't responsible for implementation of the program. So that while there are some areas in which we work in similar parts of research, most of them are not in fact exactly the same. Then are just in the same broad area, with a few necessarily overlapping arrangements.

Prior to my being appointed to this job, I served on the Physician Payment Review Commission, and one of the things that I have hoped to do as someone who left that organization to come to HCFA is to make sure that HCFA and the Physician Payment Review Commission are functioning together in as compatible a way as possible in terms of continuing to communicate about what we are doing and what they are doing.

The number of issues that we don't know and haven't resolved yet, in terms of implementing OBRA 89 physician payment reform and other matters concerning physician behavior, is more than large enough to keep the research activities of both organizations going without duplicating each other's efforts.

With regard to the AHCPR our activities have changed dramatically. As you may know, Bill Roper was behind, in large part, the Administration's interest in medical outcomes and effectiveness.

With the creation of the new agency, the focus of that research, particularly at the clinical and medical level, has switched from HCFA, where it was started, over to the new agency.

We will interact with AHCPR in two ways. We will be providing data support and data services so that they can undertake some of their clinical analysis of appropriateness and outcomes. I will also serve as a vice chair of the interdepartmental task force led by Dr. Mason that will aid in setting some of the priorities for the new center.

PEER REVIEW ORGANIZATIONS

Mr. Natcher. The Institute of Medicine has recommended, as you know, that peer review organizations be replaced, citing their questionable impact on quality and the burdens the system imposes. What are your thoughts, Dr. Wilensky, about the effectiveness of the peer review system and the Institute's recommendations?

Dr. Wilensky. Well, we believe that a number of the recommendations by the Institute of Medicine (IOM) are pointing in the same direction that the Peer Review Organizations are presently heading: that is, away from a case-by-case analysis and looking instead to outcomes and to patterns of care.

We have already started setting up data sets that will allow us to do this. We have a uniform clinical data set that has been a couple of years in the making that will help move us away from the way that the Peer Review Organization program was initially set up.

We think that there are a number of aspects of the IOM recommendations that involve changing the focus of the Peer Review Organizations. Some of these are directions in which we are essentially heading and we agree over time, as we get more information and more data, are appropriate.

There is at least one recommendation that we do not agree with, and I would like an opportunity to put it on the record: that is the need to have yet another advisory group that would be looking at quality of care issues. I think that to the extent Congress wishes to pursue this function, it will be appropriate to have it included within the Prospective Payment Assessment Commission, or to assign it to the Physician Payment Review Commission.

But I think a proliferation of commissions that look at various pieces of what HCFA does and do so in a completely independent way is creating difficulties for us. To add yet one more would not be helpful.

I don't argue with whether or not one of the congressionally instituted commissions should take this on as an additional function, but I would plead with the Congress not to set up yet one more independent commission.

Mr. Natcher. Mr. Conte, I yield to you.

MEDICAL EDUCATION PAYMENTS

Mr. Conte. Thank you very much.

The budget request includes a proposal to reduce medicare's indirect medical education adjustment from the current level of 7.7 percent to 4.05 percent. What will be the financial impact of this 53 percent cut in IME adjustments on teaching hospitals, and how will this cut affect the size and quality of medical training available in teaching hospitals?

Dr. **Wilensky**. It's our estimate that the 4.05 percent level that we are proposing would in fact still be greater than the actual costs that Medicare imposes on the system. Therefore, while it's a substantial reduction, it's closer to but still above the actual estimated effect of these teaching programs on the average operating cost per case in the hospital.

It's our estimate that the impact of doing this is slightly over $1,000,000,000 and that fiscal year 1991——

Mr. **Conte**. One billion dollars in savings?

Dr. **Wilensky**. Yes, a little over $1,000,000,000: $1.03 billion.

Mr. **Conte**. Wow. We are going to hear from that one.

The budget also proposes changing the formula for medicare's direct medical education adjustment by establishing a per salary payment based on national average salaries paid to residents in fiscal year 1987 and updated by the Consumer Price Index.

Under this proposal, how will the per resident amount be adjusted to compensate for regional variations in resident salaries?

Dr. **Wilensky**. None of our proposals on medical education includes an adjustment for regional variations in costs.

One concern has been that under the current system, some of the low occupancy teaching hospitals can change the amount that they receive in terms of their intern and resident ratio by lowering the number of beds that are available. What we are trying to do is to set up a method that takes into account the ratio of interns and residents to hospital beds. This has been a problem that has existed for some time. Currently there is no limit to the ratio that exists. We ought to institute one.

I am not aware of any adjustment that exists for regional differences.

WAGE INDEX CALCULATIONS

Mr. **Conte**. Okay.

Under the current system used by HCFA to determine the wage index, hospitals are classified based on their locations in a metropolitan statistical area or a non-MSA.

What efforts are being made to develop a new method of classifying hospitals into categories other than MSA or non-MSA for determining the wage index?

This is a real problem.

Dr. **Wilensky**. I think I would like to answer that for the record. I don't know the answers at this time.

[The information follows:]

Hospital Wage Index: Labor Markets

We are not now contemplating establishing labor market areas other than those currently existing. The Prospective Payment Assessment Commission (ProPAC) has previously recommended dividing MSAs into core and ring areas based on the boundaries of urbanized areas. In addition, ProPAC recommended that rural areas be divided into urbanized rural areas and other rural, based on whether a county has a town of 2,500 or more. Other research has examined the use of areas defined by the Bureau of Economic Anaylsis (BEA Areas) in lieu of States for defining rural labor market areas. We believe that there is no other classification system now available that is proven superior to MSAs as a means of defining labor market areas. However, we are continuing to examine this issue as part of the analysis related to our legislative proposal for a single rate system, which is due to Congress by October 1, 1990.

Mr. CONTE. It's a headache, believe me.

The current wage index calculation does not include any adjustment for the mix of size or type of hospitals located in an MSA or non-MSA. How can different sizes or types of hospitals be distinguished in determining the wage index?

Dr. WILENSKY. I will include that for the record.

[The information follows:]

HOSPITAL WAGE INDEX: HOSPITAL SIZE

The wage index is not controlled for the size or case mix of hospitals. Rather, the index is a simple measure of labor costs incurred by hospitals. It is calculated by dividing the total hospital wages for an area by the total hours worked, and then dividing this by the national average hourly wage for hospitals. (The national average hourly wage is also calculated by dividing the total national hospital wage by the total national hours worked.)

We are considering developing an occupational mix adjustment to the wage index, to account for differences between hospitals in the relative mix of differing occupational skills. However, before developing such an adjustment, we are considering whether it would, in fact, be appropriate to modify the wage index in this manner.

ESSENTIAL ACCESS COMMUNITY HOSPITALS

Mr. CONTE. That is another tough one.

The 1989 Reconciliation Bill established a new demonstration project called the Essential Access Community Hospitals. This program was to provide grants to seven states to develop rural health networks designed to improve access to health care in rural areas.

The budget proposal did not include funding for this demonstration. Why was there no funding proposed in the budget for this worthy project?

Dr. WILENSKY. My understanding is that we are now working in order to set the program up and to implement the first phase of the program so that we can be prepared if there is an appropriation, which we agree is expected in the future. It's an interesting program, and we will be able to proceed forward with it. We are presently preparing for it.

In OBRA 89, there was an authorization of $10,000,000 for grants in up to seven states to establish rural health networks, and $15,000,000 in grants to hospitals. In addition to planning for the Essential Access Community Hospital program, we will want to evaluate this program as well as the earlier Rural Health Care Transition Grant programs, the second wave of which is scheduled to go into effect this fall.

Mr. CONTE. Questions 34, 35 and 36 into the record, and you can answer them.

MEDICARE PART B EXPENDITURES

Mr. CONTE. The Administration predicts that medicare Part B spending will rise 11.7 percent from 1990 to 1991 without deficit reduction measures.

The Administration proposes cuts that will reduce growth in the Part B budget to 6.1 percent from 1990 levels. Can these savings as proposed by the Administration really be achieved in the short run?

You are going to cut back next year, aren't you? You can tell us now.

Dr. WILENSKY. If they are enacted, yes, I think they can achieve those savings.

They are primarily through reductions in overpriced payments. These include the reductions in direct and indirect teaching that we just discussed, some changes in how assistants for surgery are paid, and a number of other smaller changes.

If they are enacted, I believe they are very real savings.

Mr. CONTE. What can be done to put the brakes on the skyrocketing rates of growth in Part B expenditures?

Dr. WILENSKY. That is a harder question. I think that the respective changes included in the physician payment reform passed last November, including a volume performance standard which sets a way to update Medicare payments to physicians each year, will provide one budgetary strategy for controlling Part B expenditures. It is, for the first time, a way to not only address prices, which we have had for a long time, but an approach that takes into account volume growth and services. This is where we know most of the trouble has been. The volume performance standard, as a way to change the update, will provide a new mechanism of control.

The other way I believe that we can try to manage Part B payment growth is to try to promote managed care strategies. I think that the incentives in a la carte medicine, the entire fee for service system, do not easily lend themselves to the kinds of controls that we would like to see in terms of reducing the rate of growth. In encouraging health maintenance organizations, the Medicare Plus option that encourages a preferred provider arrangement, and other activities, it's my interest to see whether we can promote a whole series of coordinated care and managed care strategies. This will also provide a good way to try to reduce the rate of spending.

But the volume performance standards do provide, if we choose to use them, a mechanism that takes account of expenditure growth instead of only price where we have limited our attention in the past.

PHYSICIAN PAYMENT REFORM

Mr. CONTE. Last year Congress enacted a three-part physician payment reform package which included a relative value scale, volume performance standards, increased funding for medical effectiveness research.

What specific activities will HCFA be undertaking in fiscal year 1991 to implement the new requirements?

How many persons will be involved in this activity, and how will your efforts be coordinated with those of the Physician Payment Review Commission?

That is right up your alley, isn't it?

Dr. **Wilensky**. The amount of money that HCFA has set aside for this activity is $34,000,000. We are actively engaged in a series of steps to make sure we can implement this program in fiscal year 1992, as is included in statute.

We have internally organized a group that cuts across all of our own operating divisions within the agency. It meets on a regular basis, and has been briefing me twice a week on the decisions that we need, including setting the volume performance standard that I just mentioned, setting the update factors, producing a model fee schedule, et cetera.

There are a series of activities that we have planned that need to occur. We have 50 FTEs involved in this activity within HCFA.

We also have a number of studies that we were assigned as part of reconciliation that we need to address. Additionally, there are a number of other studies that PPRC was assigned that they need to deal with. Our staffs talk to each other frequently, and I believe that our continued communications will allow us to be in a position to successfully implement this activity.

It's an enormous undertaking, more than I suspect may have been realized at the time of its enactment, in terms of implementation within the time frame stipulated by statute.

Mr. **Conte**. Dr. Wilensky, I have a multitude of questions which I will submit for the record, and you can answer them since it's getting late.

Mr. **Natcher**. Mr. Pursell, I yield to you.

RESEARCH FUNDING

Mr. **Pursell**. I am not quite that tired. I do have a couple of quick questions. Just a couple of quick answers.

In the area of research you are asking for $36,000,000. That is Federal amount, and then there is trust fund money.

Dr. **Wilensky**. The $36 million includes both trust and general fund monies.

Mr. **Pursell**. As a second component.

And how much of that is discretionary as opposed to, if I remember catastrophic, there was sort of a mandated 12,000,000? I guess you are not going to ask for more money there?

Dr. **Wilensky**. Forty-five percent of the research budget is involved with congressionally mandated studies. This is roughly consistent with previous years, when approximately 50 percent of our research budget in our Office of Research and Demonstrations has been devoted to Congressionally mandated studies.

Mr. **Pursell**. So with the repeal of catastrophic, is that mandated? Can you reprogram that or use that for other purposes?

Dr. **Wilensky**. Well, we have, to the extent that there is money that was not spent elsewhere. As I indicated, most of the money that was set aside for catastrophic has——

Mr. **Pursell**. Obligated already?

Dr. WILENSKY. Yes. But there was a small amount of money that had been set aside as part of catastrophic that will now provide a little more discretionary money.

Mr. PURSELL. How much of that—is there very much left that could be obligated for other purposes?

Dr. WILENSKY. Three million dollars is the amount, I have been told.

Mr. PURSELL. Out of 12, was it 12,000,000 for catastrophic?

Dr. WILENSKY. Our FY 1989 catastrophic funding was $12 million. In FY 1990, the $3 million represents total catastrophic research funding.

Mr. PURSELL. Do you have to come back and ask to reuse that, or can you just do it? Do you have the authority to use those for other purposes?

I don't know. I am just asking.

Mr. MOSEDALE. If we are moving, for example, research money to the Contractors account, we certainly come to you for that approval. Within the Research line itself, we have been given that discretion.

INFANT MORTALITY ISSUES

Mr. PURSELL. Could you possibly be thinking or could you use any of those research funds for studies on infant mortality, impact on cost? That is beginning to be an accruing national problem. I don't think there has been too much done in that area.

Dr. WILENSKY. I don't know that there has been, in terms of HCFA research. HCFA does have a particular initiative in infant and maternal health issues as one of our new activities. I will be glad to check in to see if any of that involves research.

Mr. PURSELL. Or demonstration grants?

Dr. WILENSKY. Yes.

Mr. PURSELL. There are a lot of questions being raised in our district in respect to that. It's a growing area of commitment, and I am sure I see a lot of articles on it, as well as my personal observation.

Dr. WILENSKY. We are currently planning four demonstrations that would cost a total of $10,000,000 over a three-year period with regard to maternal and child health, but we will be glad to discuss with you additional interests that you have.

Mr. PURSELL. That is not a closed fund; is it? Is there some opening there for me? I don't want to put you on the spot there, but that is an area that—well, I am glad to see that. I think that is a very productive thing.

We really don't have any major initiatives here on infant mortality, and maybe you might have a bright spot there for us to look at and see——

Dr. WILENSKY. We would be certainly open to looking at that.

PAYMENT FOR AIDS UNDER MEDICARE

Mr. PURSELL. We may be interested in some legislation, I think, on that particular area. I get some letters sometimes from senior citizens who think, rightfully or wrongfully, that there are patients out there that have AIDS that are getting reimbursed with Medicare for payments.

Is there a very significant number percentage wise of the Medicare reimbursement fund, trust fund?

Dr. WILENSKY. Not of the trust funds. It's not a very significant amount.

Medicaid is the primary funder of our public programs with regard to AIDS. We estimate that about 40 percent of all people with AIDS are receiving some financing under Medicaid, and Medicaid is covering about 25 percent of their direct medical costs. And it's estimated to grow substantially in the future.

Mr. PURSELL. I understand that, but senior citizens who are qualified for Medicare, think that they are getting, the money is going to AIDS patients rather than care for seniors—and that is a very insignificant amount; isn't it?

Dr. WILENSKY. It's under $200,000,000.

Mr. PURSELL. That is all. Could you supply that for the record for me or for the committee? I would like to have that.

Dr. WILENSKY. Yes, I will supply that information.

[The information follows:]

MEDICARE AIDS EXPENDITURES

HCFA estimates that $110 million will spent in FY 1990 for AIDS patients covered by the Medicare program.

RURAL HEALTH TRANSITION GRANTS

Mr. NATCHER. And then I think Sil talked about grants for hospital closings and so forth. Did you indicate that is about $15,000,000?

Dr. WILENSKY. We have a Rural Health Care Transition Grant program in its second phase that has approximately $18,000,000 of funding for new FY 1990 grants. It was initially a two-year program, but it was given an extension to a three-year program by OBRA 89.

We have awarded 181 grants thus far, and we are due to award an additional 184 grants in September. The request for proposals was issued in February, and the awards will be made in September.

Mr. PURSELL. It must be a very heavy demand for proposals there, right?

Dr. WILENSKY. Yes. They are small grants, and there are 704 applications.

Mr. PURSELL. Seven hundred four applications.

What is the average amount of it?

Dr. WILENSKY. Fifty thousand dollars, I believe; $50,000 per grant. These are small grants to help rural hospitals that are facing new populations or that are in organizational transition. The intention of the grants is to provide some assistance during this transition period.

RURAL HOSPITAL ISSUES

Mr. PURSELL. A lot of the rural hospitals, I saw a figure the other day, I think it was Texas, that had the largest number of rural hospital closings that we are getting all over the country.

Is there a component in HCFA that can address that issue on a broader sense, knowing that we had some changes in Reconciliation and we have done some policy changes here, but is there——

Dr. WILENSKY. There is in the Department an Office of Rural Health that is part of the Public Health Service and whose specific function is concerned with rural health.

We at HCFA have several individuals who are our key rural health contacts, including an associate administrator. The fact that we have top-level personnel charged with responsibility for rural issues is testament to the importance that we attach to rural health.

There is a series of programs that Congress has enacted in the past several years in addition to the Rural Health Care Transition Grant program. We mentioned the Primary Access Program and the Essential Access Program. The Sole Community Hospital and the Rural Referral Center programs allow hospitals to be paid at urban rates under certain conditions.

Mr. PURSELL. Do you have a sense of balance between the urban, so-called power structure and the rural political league? Is there a sense of some fairness and balance to our congressional debate policy here at The Hill, or do you see that——

Mr. WILENSKY. I think that we observed a response to either an initial insensitivity or a lack of sufficient sensitivity to what we were doing to the rural hospitals. That has been substantially responded to, particularly by the Finance Committee.

Mr. PURSELL. I see that, too.

Ms. WILENSKY. I think there is probably less concentrated attention on some of the urban hospitals, although the disproportionate share measure was enacted in large part in response to some of the urban hospital problems.

DRGs are a system of averages, and averages are okay as long as there is an adequate system of exceptions in existence. We have to make sure that some of the hospitals who are getting hurt for reasons other than inefficiencies in their organizational structure have some sort of recourse.

We are trying, in addition to all the programs I have mentioned, to look at a final issue that we know has been a problem, and that is the severity of illness adjustment. The system of averages has a problem if some hospitals have systematically sicker patients than other hospitals within a particular DRG. This is an issue that has been a concern since DRGs were introduced.

We are about to report to Congress in October of 1990 on our results of studies in this area, and we will be coming in with proposed legislation the following year.

Mr. PURSELL. One last question on that subject. Do you have any component in the Department that would objectively be able to analyze a rural hospital and whether there are or are not inefficiencies from an outside standpoint of, forgetting all the political consequences that we feel, is there anybody in your agency that——

Mr. WILENSKY. I would like to get back with you with an assessment of that.

Mr. **Pursell**. I suppose that would be part of the grants program to do some evaluation of a rural hospital, whether they should close or merge or, you know, whatever.

Dr. **Wilensky**. Our Bureau of Policy Develpment does work that is similar to that, and we can talk with you or submit a response for the record.

[The information follows:]

Evaluations of Rural Hospitals

The Department of Health and Human Services (DHHS) does not have a component that analyzes individuals rural hosptials in the interest of identifying inefficiencies of barriers to improved operations.

DHHS has several important programs that, while not specifically tailored to organizational studies of individual providers, do address the problems experienced by many small rural institutions.

For example, the President's FY 1991 budget includes a request for an increase of one million dollars for the Public Health Service's Office of Rural Health Policy. This funding will finance a program to provide technical assistance to rural hospitals. The Office of Rural Health Policy, while supporting research projects on the special problems of rural hospitals, does not have the funds or staff to provide hands-on technical assistance.

HCFA's Office of Research and Demonostrations has a Rural Health Care Transition Grant program, with funding for new grants of approximately $18 million during FY 1990. This program provides funding to small rural hospitals in order to address the various health care needs of individual communities. One hundred and eighty-four (184) new grants will be awarded in September of this year. Again, individual technical and managerial assistance is not provided. Rather DHHS, at the instruction of the Congress, provides funds to permit hospitals to pursue their own varied initiatives.

Mr. **Pursell**. Would they serve as consultants for a particular hospital that would be looking for advice, or have they done that?

Dr. **Wilensky**. I think we need to get back to you on this.

[The information follows:]

Consultant Services for Rural Hospitals

At present, neither HCFA nor any other component of the Department is able to provide management consulting services to individual rural hospitals.

Mr. **Pursell**. Okay.

Well, again, I wish you very well, you and your staff and your team and congratulations.

The testimony was very good today.

Thank you, Mr. Chairman.

CLOSING REMARKS

Mr. **Natcher**. Thank you.

Dr. Wilensky, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for fiscal year 1991.

This has been a good hearing. You answer questions, and we appreciate it.

Dr. **Wilensky**. Thank you, sir.

Mr. **Natcher**. It's been good.

The committee will now adjourn until 2:00 o'clock Monday.

[The following questions were submitted to be answered for the record and the justifications follow:]

ALZHEIMER'S DISEASE

Mr. Natcher: How many Alzheimer's Disease demonstrations are you operating, and with what annual budget?

Dr. Wilensky: In 1986, Congress authorized a three-year, $40 million Alzheimer's Disease demonstration. The original design of the demonstration included budget parameters that would permit up to 10 sites to be funded within the $40 million cap. Of the ten potential sites, eight were selected. Expected funding of the sites is $34 million. HCFA retains the flexibility to increase sites' budgets if the current projections need to be adjusted at a later date.

Mr. Natcher: Why did it take so long to get these projects up and running?

Dr. Wilensky: The development and implementation of an innovative large-scale initiative such as the Medicare Alzheimer's Disease Demonstration is a complex and lengthy effort. The time we invested initially in developing the project's research design and evaluation plan has contributed to a successful implementation.

In an effort to be responsive to the intent of the authorizing legislation, HCFA staff met with the staffs of several of the bill's congressional sponsors to clarify the intent of the legislation and expectations for the project. We then convened a panel of experts to help shape multiple aspects of the demonstration, to be sensitive to the needs of Alzheimer's patients and their families, and to build on other research and experience in the field. Next, HCFA awarded a contract to Mathematica Policy Research, Inc. to assist in development of the project's design and evaluation plan, and in soliciting and reviewing applications from potential demonstration sites. Before final site selection in May 1989, sites began a 6-month operational development period to adapt and expand their physical facilities, hire staff, and conduct outreach campaigns to publicize the demonstration.

Concurrently, HCFA awarded a contract to the University of California, San Francisco to evaluate the demonstration and to provide technical assistance to the sites in client intake, assessment, and data collection. Upon HCFA approval of the sites' final operating protocols, service delivery began December 1, 1989.

RURAL HEALTH CARE TRANSITION GRANT PROGRAM

Mr. Natcher: How did grantees use the first year of their rural hospital transition grants?

Dr. Wilensky: On September 15, 1989, awards under the program were made to 181 hospitals. The largest proportion of awards were made for staff recruitment and development; the implementation of long term care services, particularly respite care/adult day care and hospices; and the development of outpatient services, particularly outpatient mental health and ambulance paramedic services.

We have contracted with an independent evaluator, Mathematica Policy Research, Inc., to assist in the monitoring and evaluation of the grants awarded under this program. We expect to have more complete information on the hospitals' use of grant funds during the first 6 months of the program (September 1989 - March 1990) later this year.

Mr. Natcher: How do you ensure that grants are targeted to the most at-risk hospitals?

Dr. Wilensky: In establishing the Rural Health Care Transition Grant Program, Congress identified a range of problems facing rural communites and rural hospitals and identified factors HCFA should consider in making grant awards. However, the statute did not state preferences or priorities from among these problems or factors. HCFA implemented the program in order to help rural hospitals with any of the cited problems. HCFA has based funding largely on the ability of each hospital to identify community and hospital needs in its grant application and the potential that the proposed project will successfully address these needs. This approach provides support for creative solutions to many of the problems faced by the rural health care system.

MEDICAID LONG TERM CARE COSTS

Mr. Natcher: Long-term care costs will account for 45% of Medicaid vendor payments in 1991. What will this percentage be five years from now?

Dr. Wilensky: In FY 1991, Medicaid long term care services are projected to cost $18.4 billion. This is composed of $16.0 billion in institutional long term care services (ICF/All Other, SNF, ICF/MR) and $2.4 billion in non-institutional services. These long term care services account for 43.4 percent of FY 1991 Medicaid medical assistance payments.

In the years FY 1992 through FY 1995, long term care costs are projected to be a constant 45 percent of total Medicaid medical assistance payments. In FY 1995, long term care costs are projected to be composed of ICF/All Other ($9.3 billion), SNF (6.3 billion), ICF/MR ($7.1) and home health services ($4.9 billion).

CLAIMS PROCESSING TIME

Mr. Natcher: What are the 1991 statutory floor and ceiling on the length of time contractors have to process Medicare claims?

Dr. Wilensky: All claims must be paid between 14 and 24 days after date of submission, except participating physician and supplier claims which must be paid between 14 and 17 days after date of submission. The ceiling is imposed by statute, but the floor is imposed by administrative action.

MSP DATA MATCH

Mr. Natcher: How much funding have you set aside to operate the new Medicare secondary payer initiative which uses data matches with the Internal Revenue Service and the Social Security Administration?

Dr. Wilensky: We have budgeted $8 million in FY 1991 for activities associated with the IRS/SSA data match.

Mr. Natcher: Non-participating physicians are now required to submit Medicare claims on behalf of their patients. What impact will this have on unit costs for Part B claims processing?

Dr. Wilensky: Physician-submitted claims generally are more complete and are, therefore, somewhat less expensive to process than beneficiary-submitted claims. Since less than 10 percent of claims are now beneficiary-submitted, the impact on unit cost will be negligible. We anticipate some increased claims volume since physicians will batch them differently than beneficiaries.

SINGLE SITE

Mr. Natcher: We understand that the General Services Administration has recently received approval to construct a new building to consolidate all your headquarters staff at a single site. When do you expect to move into the new facility?

Dr. Wilensky: We plan to award the single site contract in June 1991, and 1992 remains our anticipated year to begin relocation.

Mr. Natcher: How much funding is included in your 1991 request for the preliminary planning of the move?

Dr. Wilensky: Our FY 1991 budget request includes $4.0 million for start-up costs associated with the single site effort; $3.0 million will be required for the installation of a new telephone switch system and $1.0 million for preliminary design of space.

Mr. Natcher: What is your current estimate of the total cost of the move, including furniture purchases, etc.?

Dr. Wilensky: HCFA anticipates that the total cost to HCFA to relocate will be between $50 and $100 million, depending on the final site selected, the program of requirements currently being developed by HCFA, and the determination of the source of funding of those requirements (GSA or HCFA). At this time, HCFA and GSA are negotiating on certain structural requirements needed by HCFA, such as on upgraded electrical system to handle PC's, raised flooring, and increases in floor loads. GSA minimum specifications do not satisfy HCFA's basic needs. At this time, GSA expects HCFA to fund the necessary upgrades.

Other items that must be funded are:

- new furniture for approximately 1000 employees;
- new security system, telephone system, PA system, child care facility, fitness center;
- new mainframe ADP equipment may be necessary to facilitate the move without disruption to the handling of beneficiary files and other critical data processing needs; and
- the cost of the move itself

STAFFING

Mr. Natcher: Explain the various increases and decreases to your staffing levels that result in the net decline of 60 full-time equivalents from 1990 to 1991.

Dr. Wilensky: The increases and decreases occur because HCFA's FTEs are funded in two accounts: the Program Management appropriation and the Survey and Certification Revolving Fund. HCFA's overall FTE request reflects an increase of 110 FTEs.

HCFA's FY 1991 Program Management FTEs reflect a net reduction of 60 FTEs resulting from a reduction in HCFA's requirements of 125 FTEs due to the repeal of the Catastrophic Health Insurance program and an increase of 65 FTEs resulting from new and increased workloads imposed by OBRA 89.

The Survey and Certification Revolving Fund reflects an increase of 170 FTEs: 70 FTEs for increased survey activities and 100 FTEs for CLIA 88.

PHYSICIAN PAYMENT REFORM

Mr. Natcher: What is your most recent estimate of 1991 program management costs to implement physician payment reform?

Dr. Wilensky: Our preliminary estimate of physician payment reform implementation costs is approximately $37.0 million.

Mr. Natcher: How would these costs be split between contractor activities and Federal administration?

Dr. Wilensky: Although it is impossible to be precise, we expect the contractor cost to be about $34 million and the Federal administration cost to be about $3.0 million for 50 FTEs.

Mr. Natcher: What is the impact of the bill language you are requesting to limit administrative costs of research projects to funds provided in our bill?

Dr. Wilensky: Under a longstanding policy, projects authorized under Section 402 of the Social Security Amendments of 1967 have been funded in two ways. The benefits have been financed directly through the Medicare Trust Funds and the Medicaid appropriation. The administrative costs have been financed through the annual HCFA Program Management appropriation. With the limitation imposed by the proposed bill language, the administrative and evaluation costs of such Section 402 projects would continue to be financed through appropriated research funds. For mandated projects where there is a separate appropriation of the Trust Funds for administrative costs (such as the Influenza Vaccine Demonstration and the Case Management Demonstration), these costs would continue to be financed through their special appropriation.

Mr. Natcher: How much money would be involved in 1991?

Dr. Wilensky: The proposed language clarifies and affirms existing policy, and our Program Management appropriation request contains sufficient funds for the administrative and evaluation costs of Congressionally-mandated projects that do not have separate appropriations. The projects we plan to finance through our Program Management request are detailed in our FY 1991 Congressional Justification. The proposed language would not interfere with our operation of these projects.

Mr. Natcher: What is the total cost of research projects that are mandated by Congress and financed from the trust funds rather than from the program management account?

Dr. Wilensky: Pursuant to the separate appropriations in FY 1989, $27 million was apportioned directly from the Trust Funds. Included in this amount was $25 million authorized for the Influenza Demonstration and $2 million for the Case Management Demonstrations. In FY 1990, $27 million was again apportioned from the Trust Funds with $25 million being authorized for the Influenza Demonstration and $2 million apportioned for the Preferred Provider Organization Demonstration.

NIH CLINICAL TRIALS

Mr. Natcher: What is your agency's current position on Medicare coverage of patient care costs in clinical trials supported by NIH?

Dr. Wilensky: Medicare coverage of investigational devices and

drugs is quite limited, and we believe funding for experimental services is more properly the province of research agencies such as NIH. Medicare does cover some devices associated with investigational therapies, including medically necessary followup services. However, in response to comments we received following the publication of an NPRM on Medicare rules for covering drugs, devices and treatments, we are reviewing payment for experimental drugs and treatment. We will consider this issue in the context of coverage rules and it will be addressed as HCFA develops the final rule.

FIXED PRICE CONTRACTS

Mr. Natcher: Only two contractors are participating in your fixed price contract experiment. Has the program attracted less interest than you had hoped?

Dr. Wilensky: The two current contractors (Blue Cross and Blue Shield of Massachusetts and Blue Cross and Blue Shield of Missouri) with fixed price contracts have expressed an interest in continuing their fixed price contracts. There are no current contractor procurements for fixed price contracts; accordingly, the extent of interest in this method of contracting is currently unknown.

Mr. Natcher: Can you judge whether the concept is likely to save or cost money?

Dr. Wilensky: In most cases the contracts that have been awarded in the past were at rates which were toward the low cost range of all Medicare contractors. In this respect, we believe fixed price contracting has saved money. However, fixed price contracts are difficult to administer in an environment where the scope of work changes frequently. This has been the situation with the Medicare program over the last several years.

POSTAL RATES

Mr. Natcher: Postal rates are expected to increase next year. Does your request for contractor activities anticipate increased postal rates?

Dr. Wilensky: Our FY 1991 budget request does not include funding for the expected postal increase. We expect the increase could be as much as $14 million for the contractor budget. If these funds cannot be absorbed in the requested amount, as in previous years, contingency funds will be available.

HMO LOAN FUND

Mr. Natcher: Why is there no 1991 budget request for the Health Maintenance Organization Loan Fund - won't interest payments continue to accrue?

Dr. Wilensky: Health Maintenance Organizations (HMOs) routinely make payments of principal and interest to HCFA. HCFA, in turn, pays the Federal Financing Bank (FFB) -- often paying higher interest than it received. An HMO which opts to prepay its loan is not charged a prepayment premium. The FFB, however, does charge a premium to HCFA for such prepayments; the premium has been approximately 20 percent of the outstanding principal.

HCFA can predict fairly accurately the amount of principal and interest it will receive during the year, and can consequently estimate the amount of interest it will have to pay the FFB. It cannot, however, as easily predict the instances of an HMO prepaying its loan. These prepayments and the resultant premiums HCFA must pay the FFB will vary from year to year.

Past practice has indicated that HCFA need not request funds each year to meet its accruing debt to the FFB. HCFA received an appropriation of $5 million in FY 1990, and current policy anticipates the same in FY 1993. We believe that this influx of funds will suffice to meet the program's needs, without requesting more than what will prove to be necessary.

Mr. Natcher: Why do SECA credits to the payments to the Health Care Trust Funds account become negative in 1991?

Dr. Wilensky: In 1983, the self-employed Social Security tax rate was raised to equal the sum of the combined employer and employee FICA contribution rates. Since this change effectively doubled a self-employed individual's Social Security tax rate, the rate increase was phased in between 1984 and 1989. While the Self-Employment Contributions Act (SECA) credit reduces an individual's tax burden, the Social Security and Medicare trust funds receive the full combined SECA rate amount via transfers, in the amount of the total credit, from the general funds of the Treasury. The SECA credits are funded under permanent indefinite authority.

The SECA credit represents an estimate of the Hospital Insurance portion of the total amount claimed under the tax credit for self-employed individuals allowed during the tax years 1984-1989. The SECA credit estimate is adjusted to reflect either increased or decreased tax liability as determined through reconciliation with actual collections, processing of amended returns and delayed receipt of SECA reported earnings.

Current estimates of the SECA credits for FY 1990 and FY 1991 incorporate projected credit amounts and prior year adjustments. In addition, these estimates reflect the fact that for taxable years after December 31, 1989 the credit is no longer allowed. The amount of the credits or adjustments to the program appropriation are estimated at $367,000,000 for FY 1990 and $-4,000,000 in FY 1991. The negative adjustment projected for FY 1991 represents a situation in which the SECA tax liability is greater than the prior year's adjustment. For 1992 and beyond, adjustments to the SECA credit will continue as changes in the 1989 tax liability are documented. Currently, these out-year adjustment projections to the 1989 tax liability are positive and decrease over time.

PEER REVIEW ORGANIZATIONS

Mr. Natcher: Provide a table displaying the trust fund costs of the peer review organizations for the last five years.

Dr. Wilensky: The following table shows the obligations of trust fund money for peer review organization (PRO) costs for each of the last five years. The obligations represent the total dollar amount of PRO contracts for each year, including the first, second, and third (i.e., current) contract periods. The FY 1990 figures are projected through the end of this fiscal year. All figures are in thousands of dollars ($000s).

Contract Round	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	Total
First [1]	12,947	705	12			13,664
Second [2]	134,246	180,791	101,969	95,691	8,614	521,311
Third [3]				554,350	321,990	876,340
TOTAL	**147,193**	**181,496**	**101,981**	**650,041**	**330,604**	**1,411,315**

1/ The first round of PRO contracts began in late FY 1984, and the total first round obligations were $ 314,040.

2/ Includes both the second round and the extensions to second round contracts.

3/ We anticipate some continued third round obligations, resulting from contract modifications, through the beginning of FY 1993. The total projected third round obligations are $ 955,000. This figure does not include the cost of PRO reviews of CHAMPUS cases, which are reimbursed by the Department of Defense.

SURVEY AND CERTIFICATION

Mr. Natcher: You are proposing 1990 supplemental language that would credit HCFA with the user fees recovered from clinical laboratories. How much money do you expect to collect in 1990?

Dr. Wilensky: HCFA is currently developing a regulation that would provide the methodology used in assessing user fees, which is required before we can begin collecting these monies from laboratories. We anticipate that the user fee regulation will be promulgated prior to October 1. HCFA will then begin assessing user fees for both compliance surveys and Federal administration. We expect to collect $189.7 million in 1990.

Mr. Natcher: Insert a table indicating by type of institution the percent of each that would be surveyed each year and indicate changes in coverage from your 1990 survey and certification plan. Also identify which coverage thresholds are legislatively mandated.

Dr. Wilensky: The following table shows the coverage levels in percentages. Those facilities with legislatively mandated coverage levels, and the effective year of the mandate, are asterisked (*).

Facility Type	FY 1990	FY 1991
Nursing Facilities (Medicare-only and Medicare/Medicaid)	100*	100
Non-accredited Hospitals	75	100
Home Health Agencies	100*	100
End-Stage Renal Disease facilities	57	100
Hospices	100	100
Other facilities (e.g., portable X-ray units; Ambulatory Surgical Centers; Rural Health Clinics)	50	50

Mr. Natcher: Provide projected costs for survey and certification activities for 1991 - 1995.

Dr. Wilensky: Following are estimates through FY 1995 for CLIA 88 laboratory, Medicare, and Medicaid survey activities. Each is comprised of both the actual survey costs and associated administrative costs.

(Dollars in Millions)

	FY 91	FY 92	FY 93	FY 94	FY 95
CLIA 88	$189.7	$745.0	$767.3	$785.0	$803.0
Medicare	200.4	210.2	219.8	228.9	237.6
Medicaid	120.0	130.2	140.9	151.9	163.2
	$510.1	**$1,085.4**	**$1,128.0**	**$1,165.8**	**$1,203.8**

CLIA 88 costs skyrocket in FY 1992 because the FY 1991 costs include only about one-fourth of the all physicians' office labs and miscellaneous other labs to be certified. Beginning in FY 1992, the remainder of these laboratories will be addressed, thus increasing costs dramatically.

HEALTH INSURANCE FOR THE UNINSURED ADJUSTMENTS

Mr. Natcher: Is your request of $224 million for past-year adjustments to the Health Insurance for the Uninsured program consistent with the size of the adjustments made in prior years? Why does it take so many years to resolve these claims?

Dr. Wilensky: The prior-year adjustment amount requested in the FY 1991 uninsured transfer is larger in size than the prior-year adjustments made in recent uninsured transfers for several reasons. Because of the early timing of the FY 1990 President's Budget, we were not able to include adjustments for prior years. The FY 1989 and 1990 transfers excluded catastrophic costs for the uninsured, and estimates of these costs are now included in the FY 1991 transfer. The prior-year adjustments for each year in the FY 1991 uninsured transfer were calculated using the most recent cost estimates available for each fiscal year, with interest to the transfer date. These costs are compared to the amounts transferred to date, with interest to the transfer date, and the differences are the adjustments. The amounts for prior-year adjustments can and do fluctuate from year to year, because the first transfer made for a fiscal year is determined before that fiscal year starts, and therefore is made entirely on an estimated basis. As actual experience develops, including the effects on any legislation and regulations that have since been enacted, the cost estimates are revised and adjustments are made, with interest, in later transfers.

It usually takes 5 transfers following the first transfer to close out a particular year's costs. (For example, FY 1990 will most likely close out in the FY 1995 transfer.) This is because certain data needed to close out a fiscal year with good accuracy is not available until that time.

MEDICAID FAMILY SUPPORT ACT COST

Mr. Natcher: Identify the 1991 gross Medicaid costs and savings resulting from the Family Support Act of 1988.

Dr. Wilensky: The FY 1991 cost resulting from implementing the Family Support Act is estimated to be $215 million.

UNINSURED FEDERAL ANNUITANTS

Mr. Natcher: Costs for Hospital Insurance for Uninsured Federal Annuitants have jumped from $22 to $46 million in two years. When do you expect these costs to top out and at what level?

Dr. Wilensky: It is expected that the number of uninsured Federal annuitants will continue to increase until 1998 and will slowly decrease after that time. The largest percent increase in cost is expected to occur in 1992 with decreasing percentages after that time, dropping significantly after 1998 to single digit increases.

RESEARCH CONTINUATIONS

Mr. Natcher: Only $2 million of your $36 million 1991 research budget request is for new starts. If your request is approved, what would your base of continuation costs be for 1992 and beyond?

Dr. Wilensky: Continuation costs for multi-year projects vary from project to project. Whereas one project may have low initial year costs, subsequent years' costs may be substantially more. This may also work in

the reverse, or, multi-year costs for a project could be constant. In the aggregate, historically, continuation costs from the research budget have ranged from 60-80 percent of the total research budget. With our projection of only $2 million available for new research activities from our total request of $36 million, we would expect, at this time, a lower base of continuation costs in FY 1992 and beyond if funds for continuation of the rural health care transition grant program are not considered.

AUDIT FUNDING

Mr. Natcher: Does the FY 91 audit funding request for auditing 25% of the providers reflect a level of audit consistent with prior years?

Dr. Wilensky: Prior year audit funding provided for an audit percentage of 30-35% of the providers. The reasons for this decline in the number of field audits are:

1. For several years, the IG has been emphasizing the need for more quality in provider auditing. HCFA contractor guidelines have emphasized a quality increase in audit of providers which increases the cost per audit and decreases the number of audits per budget dollar.

2. The increase in the funding of special audit initiatives also serves to reduce the funds available for field audit. These audit initiatives are directed by Congressional mandates and the Office of Management and Budget. Sometimes funds initially earmarked for ongoing auditing must be diverted to complete these audit initiatives.

3. HCFA has emphasized the need to fund auditing based upon a "risk" factor to determine who will be audited. This method involves selecting the larger providers for audit, since they receive the most Medicare dollars. Auditing these larger providers increases the cost per audit and decreases the number of audits per audit dollar expended.

STAFFING FOR SURVEY AND CERTIFICATION ACTIVITIES

Mr. Natcher: Describe why you propose to increase staffing for survey and certification activities by 170 FTEs between 1990 and 1991.

Dr. Wilensky: In FY 1991, HCFA will require an additional 170 FTEs. Of the total request, 70 FTEs are associated with OBRA 87 activities and 100 FTEs are for CLIA 88 activities.

The additional 70 FTEs will be needed to handle the anticipated increase in the number of surveys to be conducted as a result of OBRA 87. This legislation strengthens HCFA's enforcement capabilities in nursing homes and home health agencies. Standard surveys of these providers will be conducted on a average of once per year. When standard surveys identify instances of substandard care being furnished, extended surveys will be conducted. To ensure that States are conducting surveys in accordance with explicit criteria and instructions, Federal surveyors perform random monitoring surveys.

CLIA 88 will require HFCA to increase and intensify its laboratory monitoring activities. This will result in an increase in the types and number of laboratories that HCFA will be responsible for certifying and licensing. Currently, HCFA monitors approximately 12,000 laboratories. This will increase to over 300,000 under CLIA 88.

AUTOMATED DATA PROCESSING (ADP)

Mr. Natcher: How much are you requesting for HCFA automated data processing in 1991 (exclusive of contractor activities), including acquisition maintenance, and system linkages?

Dr. Wilensky: HCFA's FY 1991 budget request contains $23.6 million for internal ADP activities. Of the total request, $7.1 million is for the Project to Redesign Information Systems Management (PRISM) and $16.5 million is for the Agency's on-going ADP activities.

FEBRUARY 1990 MEDICAID STATE ESTIMATES

Mr. Natcher: Your 1991 Medicaid budget request is based upon information from November 1989 State plans. Have you received updated information from the States since that time, and if so, how would you revise your estimates?

Dr. Wilensky: New estimates were received from the State Medicaid Agencies for Medical Assistance Payments (MAP) and State and Local Administration during February 1990. These estimates reflect the following changes:

($ in Thousands)

FY 1991 Budget Estimates	November 1989	February 1990	Change
MAP	$42,415,826	$42,940,205	$524,379
State & Local Administration	2,004,892	2,040,514	35,685
TOTAL	$44,420,718	$44,980,719	$560,064

Survey forms submitted by the States in February 1990 also indicated that $688 million of the costs estimated for Medicaid legislative expansions (repeal of the Medicare Catastrophic Coverage Act, the Omnibus Budget Reconciliation Act of 1989, and the Family Support Act) are now included in the February 1990 State estimates. Since the estimates increased by less than the States added for these legislative changes, there is a net overall decrease of $127.9 million in the FY 1991 Medicaid funding requirements relative to the President's budget request. It is unclear whether these estimates include the full effect on the FY 1991 budget of recent Medicaid legislative expansions (repeal of the Medicare Catastrophic Coverage Act, the Omnibus Budget Reconciliation Act of 1989, and the Family Support Act).

RURAL HOSPITAL TRANSITION GRANTS

Mr. Natcher: What are the 1991 continuation costs for rural hospital transition grants funded in earlier years?

Dr. Wilensky: About $9.2 million would be needed for the second year of the grants awarded in FY 1990. There would be an additional $8.9 million needed to continue grants originally awarded in FY 1989.

ADVISORY COUNCIL ON SOCIAL SECURITY

Mr. Natcher: What will be your agency's total contribution to the cost of the Advisory Council on Social Security?

Dr. Wilensky: HCFA's total contribution to the Advisory Council on Social Security during FYs 1990 and 1991 will be $945,104 -- approximately sixty percent of the council's cost.

PRISM

Mr. Natcher: When do you expect the PRISM project to be completed, and at what cost?

Dr. Wilensky: Although FY 1990 was to be the final year of the PRISM effort, an extension of the overall period of the software development activities was granted by the Department of Health and Human Services. Without increasing total funding, the extension allows software development activities to continue through FY 1992.

The total cost of PRISM is still anticipated to be $54.9 million.

COMMON WORKING FILE

Mr. Natcher: What will be the total cost of the Common Working File, and how does this compare to the original cost estimate?

Dr. Wilensky: The costs of developing the Common Working File are estimated at $96.6 million. The yearly operational and maintenance costs are estimated at $25 million. It is anticipated that, absent significant program changes, the Common Working File will last a minimum of 10 years beyond the final implementation year of FY 1991. This yields a total life cycle cost of approximately $350 million. Against this, HCFA estimates administrative savings from the elimination of certain current systems and claims processing activities of not less than $213 million in administrative costs and $1.315 billion in program savings.

CURRENT BENEFICIARY SURVEY

Mr. Natcher: Why is the Current Beneficiary Survey being funded out of Federal administration rather than research and development?

Dr. Wilensky: Based on HCFA's review of the Current Beneficiary Survey (CBS) contract requirements and the data that this survey would provide, it was determined that Federal administration funding would be more appropriate.

MEDICAID COVERAGE OF AZT FOR PREVENTATIVE PURPOSES

Mr. Natcher: Do you know how many State Medicaid programs provide AZT to AIDS patients for preventative, rather than therapeutic, purposes?

Dr. Wilensky: At present, all fifty States and the District of Columbia cover the drug AZT to some extent. These States offer prescription drugs including AZT as an optional Medicaid service. Beyond that, there is little information available at this time.

An HIV-infected individual must first qualify for Medicaid in order for AZT to be prescribed as a preventative drug covered under the Medicaid program.

Most adults with AIDS or severe Aids Related Complex qualify for Medicaid do so because they are disabled, have low income, and have limited assets. The Social Security Administration considers AIDS to be a presumptive disability for SSI, and thus, Medicaid eligibility. However, persons with HIV infection whose symptoms do not limit their daily activities or ability to work will generally not qualify for SSI and thus Medicaid. Thus, Medicaid will be unable to pay for most of the costs of administering AZT for HIV-infected persons.

MEDICAID AND MEDICARE AIDS PROJECTIONS

Mr. Natcher: What are your long-term projections of Medicaid and Medicare AIDS expenditures?

Dr. Wilensky: Fiscal year 1991 Federal Medicaid expenditures for AIDS treatment to an estimated 35,000 recipients are projected to be $870 million. Medicare FY 1991 expenditures for a projected 3,100 beneficiaries are estimated to be $180 million.

Long term projections of Medicaid and Medicare projections, independent of AIDS-related complex costs, are as follows:

(Dollars in Millions)

	FY 92	FY 93	FY 94
Medicaid (Federal)	$1,080	$1,290	$1,490
Medicare	280	385	500
TOTAL	$1,360	$1,675	$1,990

RURAL AREAS

Mr. Conte: Since Congress considers access to health care in rural areas to be an area of major concern, what alternatives does the Administration propose to assist these areas of the country?

Dr. Wilensky: Over the past several years, both the Administration and Congress have worked to provide special treatment for our most vulnerable hospitals, particularly rural hospitals. These provisions have helped to improve the financial status of rural hospitals.

Other projects to investigate rural health care options include the Montana Medical Assistance Facility Demonstration Project, which is exploring alternatives to full service hospitals in rural areas, and the MEDNET Rural Telecommunication project which is examining the feasibility of providing alternative avenues of continuing medical education for rural physicians.

In addition, we are implementing programs directed at exploring new ways to meet rural needs. We are currently funding 184 Rural Health Care Transition Grants totalling 8.2 million dollars. We will be expanding this program with the $17.8 million appropriated for FY 1990. These grants permit rural hospitals and their communities to modify their health care services to adjust to market conditions.

Mr. Conte: Last year's bill also provided the Rural Health Care Transition grant program with increased program authority. Yet, the budget did not provide funds for this either. Why is there no funding for this project?

Dr. Wilensky: HCFA is conducting an evaluation of the effectiveness and impact of the grant program on rural hospitals and their ability to provide care to Medicare beneficiaries. The results of this evaluation will formulate the basis of recommendations to Congress about the grant program.

Mr Conte: What options does the Administration offer to address this area of concern?

Dr. Wilensky: We are also developing specific procedures to implement a grant program for States and rural hospitals that will foster a comprehensive approach to realigning health care services in rural areas.

When funds are appropriated, we hope that these programs will promote regionalized rural health plans and the establishment of essential access community hospitals and rural primary care hospitals.

We are also developing our recommendations, as directed by Congress, and analyzing the impact of eliminating the differential in payment rates between urban and rural hospitals.

RVS

Mr. Conte: What is your timetable for the completion of RVS?

Dr. Wilensky: As you know, the law requires us to begin phasing-in the Medicare fee schedule on January 1, 1992. It will become fully effective in 1996. We are also required to provide a model fee schedule to the committees of Congress and the public by September 1, 1990. We fully intend to comply with the statutory requirements.

We are awaiting the results of the second phase of Harvard's study to determine relative values for the physicians' work component. We expect to receive these by the end of 1990. We are extrapolating and gap-filling values for those physicians' services for which Harvard is not computing values. They only represent about 5 percent of Medicare physician payments. We expect that this work will be completed by the end of 1990.

Because findings from the second phase of Harvard's study will not be available until late in 1990, the model fee schedule to be produced by September 1, 1990 will have to be based on relative values currently available. It is important to realize that actual fee schedule values for 1992 may differ from the model fee schedules.

We are presently examining the many policy issues that need to be resolved before final RVS values can be computed. These include developing uniform definitions of global fees and visits, site of service differentials, technical components, local codes, etc. These decisions are also scheduled to be completed by the end of 1990.

All of our initial data base development is also scheduled to be completed by early next year. This includes testing and cleaning up our existing BMAD data files, and finalizing the geographic practice cost index (GPCI).

Thus, by early next year we expect to have relative values for physicians' work for all services, and an initial data base. In 1991 we will calculate the overhead and malpractice relative values, and the budget-neutral conversion factors. We will be preparing our regulations on the fee schedule and expect to publish the final regulation setting forth the 1992 fee schedule during the fall of 1991.

All during this time there will also be numerous ongoing activities. For example, we will be consulting with physician groups and the Physician Payment Review Commission on the many policy issues. We will, of course, be conducting training sessions with our regions and our carriers on operational issues. All in all, I am quite confident that we will implement the fee schedule on time. I would be less than candid if I failed to state that, as this is conceptually an entirely new type of undertaking for Medicare, a great deal of fine-tuning will be necessary as our efforts progress.

VOLUME CONTROL

Mr. Conte: The law requires the Secretary to recommend a volume performance standard to Congress every year. In the absence of Congressional action, a default standard is established based on a number of factors including recent increases in physician expenditures. Do you anticipate any difficulties in getting such information on a timely basis year after year?

Dr. Wilensky: We do not anticipate major problems in estimating the necessary information to compute the MVPS under the "default" mechanism. For example, the law requires that we base our estimates of increases in volume and intensity of physicians' services on information that we already have available in the most recent annual report made by the Trustee's of the SMI trust fund. This is the same methodology that we used in computing the FY 1990 MVPS rate which was published in the Federal Register on December 29, 1989. In addition, we think our ability to get timely and accurate information on expenditures will dramatically improve over the next few years as new data sources such as the Common Working File become fully effective.

Mr. Conte: Do the volume performance standards really have enough teeth to alter physicians' behavior?

Dr. Wilensky: We won't, of course, know the answer to that question for certain until we have a few years' experience with measuring the actual rate of increase against the performance standard rate. I can tell you, however, that if physician interest in the MVPS is any indication, the process promises to be effective. We have held meetings on MVPS with a number of physician groups, including the American Medical Association and the American College of Surgeons. The MVPS has clearly gotten their attention, and all have expressed a desire to cooperate with us in making MVPS work. Of course, if physicians' behavior does not change and expenditures rise at levels in excess of the standard, the reductions in subsequent updates will still help to control Medicare outlays in subsequent years.

Mr. Conte: How can an overall national standard or even regional and statewide standards really affect individual physician's practice patterns?

Dr. Wilensky: There will always be some individual physicians out of the approximately 500,000 physician population who will not change their practice patterns, either deliberately or because they feel any changes they make will have little or no effect. However, we believe that the cooperative efforts of the Department and organized medicine will convince the majority of physicians that a serious effort is needed to slow the rapid rate of growth in expenditures for physicians' services. We would note, for example, that the American College of Surgeons has expressed a desire to work with us to identify the causes of unacceptable growth and to initiate corrective active.

It may well be that changes will be needed in the MVPS to bring about desirable changes in individual physician practice patterns. For example, consistent with the legislation, we will be studying the issue of target levels in smaller geographic areas, and having separate carve-outs for certain physician groups.

Moreover, I should point out that this is of course not the only effort underway to change physician behavior. For example, enhanced utilization review, profiling of physicians with abberant practices, and effectiveness research are other tools that will be used to try to bring about desirable changes in physician practice patterns.

APPROPRIATE PRACTICE GUIDELINES

Mr. Conte: Do you expect substantial savings to be achieved in the long run from the development of appropriate practice guidelines?

Dr. Wilensky: We think that by basing practice guidelines on more and better information about what works in the practice of medicine, the opportunities for savings will be substantial in the long run. However, it is important to remember that guidelines must be carefully developed with substantial input from the medical and research communities, and that the process of guideline development can be a lengthy one. Therefore, I would emphasize the notion of long term rather than short term savings.

Mr. Conte: Is it possible or even likely that the use of the practice guidelines will increase quality of care but not result in any savings to Medicare?

Dr. Wilensky: In any effort to study alternative interventions or strategies for patient management there may be instances where the more effective course is also the more costly course. In instances where practice guidelines are based on information which shows that outcomes achieved from a more costly approach to patient management are clearly and demonstrably better, then there will be no savings to Medicare. We expect such instances to be fewer in number than the converse.

Therefore, while there may be individual instances where practice guidelines will not save money, on the whole we expect the effort to result in savings to the Medicare program.

OUTPATIENT HOSPITAL EXPENDITURES

Mr. Conte: I understand that the budget proposes a 10 percent across the board cut in payments for services rendered in hospital outpatient departments. While hospital outpatient expenditures have been rising at an alarming rate and need to be controlled, won't this kind of cut hurt some hospitals unfairly?

Dr. Wilensky: Hospital outpatient services are one of the fastest growing components of the Medicare program. Part B outlays for hospital outpatient services increased at an average annual rate of approximately 20 percent for the past 10 years, and are projected to increase at an average annual rate of 21.4 percent from 1988 through 1994.

Our revised proposal recommends a 13 percent reduction for certain hospital outpatient services is an effort to constrain the double-digit growth rates in these Medicare services. Because payments are currently based on a hospital's charges or costs, a payment reduction of this type is not expected to affect the ability of efficient hospitals to deliver outpatient services. This across-the-board reduction does not apply to end stage renal disease services, laboratory services, or the technical component of radiology and diagnostic services.

Mr. Conte: Are there other cost containment measures that could be implemented more fairly without jeopardizing those hospitals which rely heavily upon Medicare revenues?

Dr. Wilensky: We are also proposing a capital payment reduction for outpatient services. This proposal is similar to an OBRA 89 provision which reduced Medicare outpatient capital payments for FY 1990 by 15 percent, making it consistent with inpatient capital payment policy. Reducing capital payments gives hospitals the incentive to make well-considered decisions regarding capital investments. Our FY 1991 proposal would reduce outpatient capital payments by 25 percent for urban hospitals and 15 percent for rural hospitals. No reduction would be made for sole community hospital payments.

In response to OBRA 87, the Department is currently in the process of developing a prospective payment methodology for hospital outpatient services. We will report to the Congress on this payment methodology by January 1, 1991.

CONTINGENCY FUNDS

Mr. Conte: The budget includes $73 million for implementation of physician payment reforms. Why is this money included in the contingency fund, which can only be released by OMB, and not in the operating budget?

Dr. Wilensky: The budget provides $73 million in contingency funds for OBRA 89 activities (including physician payment reform) and for the consolidation and replacement of Medicare contractors. We requested that $36.5 million of that amount be outlayed as part of the FY 1991 operating budget (outlayed contingency) to provide a funding base for OBRA 89 activities until more precise estimates of actual implementation costs are developed.

Mr. Conte: Should Medicare contractors interpret this action as an indication that the Administration does not want them to carry out their responsibilities under the physician payment reforms?

Dr. Wilensky: No. Adequate funds will be made available for contractors to implement provisions mandated by OBRA 89 either through the outlayed contingency or additional requests from the contingency fund.

PAYMENT SAFEGUARDS

Mr. Conte: I understand that the budget for payment safeguard activities is only about 1 percent above the FY 1990 level. Given the increase in the volume of services, is this amount sufficient to perform payment safeguard activities, such as medical review, at the current services level?

Dr. Wilensky: We believe the amount is adequate to maintain the level of savings we have been achieving over the last few years.

Mr. Conte: How much money is the program savings each year as a result of secondary payor efforts?

Dr. Wilensky: MSP activities achieved savings of about $2 billion in FY 1989. We expect about the same in 1990 and an increase in 1991 as a result of the new IRS/SSA data match established by OBRA 89.

MEDICARE SECONDARY PAYER

Mr. Conte: Has the stepped-up effort to enforce secondary payer requirements resulted in any problems for beneficiaries? For contractors?

Dr. Wilensky: There are instances in which beneficiaries experience problems as a result of the secondary payer provisions. Under current law, our primary means for collecting data that identifies potential MSP situations are the tools of the claims process, development letters and questionnaires, suspensions, and denials. Without confirmed data from employers or insurers, we ultimately depend on the beneficiaries themselves to provide the necessary information. The complexity of the MSP provisions at times confuses beneficiaries. Further, sometimes we get incomplete or incorrect information from beneficiaries themselves or through the physicians and providers furnishing services. This can result in frustrations when claims are suspended and/or denied.

Certain services are applicable to MSP for beneficiaries who are entitled to benefits under the Department of Labor (DOL) Black Lung and the Department of Veterans Affairs (DVA) programs; thus, once we have identified that a Medicare beneficiary is so entitled, we often must develop a disproportionately large portion of the claims from these beneficiaries to ascertain whether the DOL or DVA has already paid for the services.

However, we have not noted any significant increase in such reports arising from the stepped-up effort to enforce the provisions. When such instances do occur, they are primarily caused by noncompliance by insurers, such as situations where a third party insurer refuses payment prior to submission of a claim to Medicare, or by providers who prefer to bill Medicare first, possibly due to the prompt payment provisions.

We hope that the planned beneficiary mailings, increased use of public information, and increased appearance of secondary payment information in newspapers and magazines arising from the increased enforcement actions will result in beneficiaries becoming more aware of the secondary payer provisions. As awareness increases, we expect beneficiary problems to decrease, rather than increase.

Some contractors are experiencing problems arising from the increased enforcement actions. Several contractors are having difficulty meeting the additional workload arising from the enhanced enforcement provisions in light of the budget constraints. We are looking at each situation independently in an effort to assure that the contractor is operating efficiently and is prioritizing its workload in accordance with HCFA objectives. Further, we are in the process of issuing national guidelines to assist contractors with such difficulties. For example, the guidelines increase the threshold for recovery actions to assure that contractors are pursuing the most cost effective recoveries.

COST STUDY

Mr. Conte: Last year, the Acting Administrator came before our committee and said that HCFA was awaiting a private sector study on the optimal costs of processing each type of claim while meeting the HCFA standards for timeliness and accuracy. What is the status of that study?

Dr. Wilensky: HCFA contracted with Technology Management Corporation (TMC) in the Fall of 1988 to study, by claim type, the optimal cost for processing Medicare claims. TMC submitted its final Part B report in December 1989; the Part A draft report is due in March 1990. TMC's final report for Part B was developed after their visits to each of the 48 carriers and generation of a detailed report for each site. The individual site reports were used to develop a national data base.

TMC then determined ranges of optimal costs by claim type for each contractor. HCFA is now in the process of reviewing and analyzing the results of the Part B report. We are also developing various options which may be used in determining the funding for Part B carriers in FY 1991.

Mr. Conte: Can you tell us what is the lowest unit cost that can be paid?

Dr. Wilensky: HCFA has not yet determined the lowest unit costs by claim type.

MEDICARE APPEALS

Mr. Conte: How will HHS be able to handle this increased volume of appeals with few dollars?

Dr. Wilensky: We issued revised administrative appeals procedures to intermediaries and carriers in 1989, in which we instructed them to end frequently duplicative informal appeals, thereby reducing administrative costs.

We also told them to simplify decision memoranda, and to make extensive use of the on-the-record decision to satisfy requests for carrier hearings.

As a result, carriers and intermediaries reduced the number of informal appeals processed. They replaced lengthy decision memoranda with better focused, better written, and shorter decisions. Carriers prepare an on-the-record decision for each hearing request they receive. They afford the requested type of hearing if the beneficiary expresses dissatisfaction with the on-the-record decision.

To insure that the carriers and intermediaries made the improvements, we changed our Contractor Performance Evaluation Program (CPEP) review. We included items focused on checking the administrative appeals process. We also developed procedures to insure that our regions check the contractors efforts.

With these improvements, we think we can handle the increased appeals workload within the budget limits we seek.

Mr. Conte: What is the breakdown of disputed claims by type of review (face-to-face hearings, telephone, etc.)?

Dr. Wilensky: In FY 1989, there were 39,770 reconsiderations completed by intermediaries and 6,822,234 reviews completed by carriers. All of these cases were completed based on the record, that is, based on evidence submitted, with no testimony. In addition, carrier hearing officers completed 66,802 cases, with 18,921 dismissed or withdrawn. Of the 47,881 hearings held by carrier hearing officers, 4,887 (10.2 percent) were in-person hearings; 3,120 (6.5 percent) were held by telephone; and 39,874 (83.3 percent) were held on the record.

Mr. Conte: What is the cost estimate for each type of review?

Dr. Wilensky: We do not maintain costs by "type of review" (face to face hearings, telephone, on-the-record). We do maintain records of costs associated with contractor preparation of cases for the following categories of appeals, as reflected in the table below.

Contractor Preparation Costs
($ in million)

Intermediary Costs	FY 89 Costs
Reconsiderations	$5.3
Hearings	.8
Subtotal	$6.1
Carrier Costs	
Reviews	$43.5
Fair Hearings	14.8
Hearings	.3
Subtotal	$58.6
Total	$64.7

REVERSALS

Mr. Conte: What percentage of Medicare reconsiderations of carrier and fiscal intermediary payment denials are reversed?

Dr. Wilensky: In FY 1989, 57.5 percent of carrier reviews, 55.8 percent of carrier hearings, and 47.2 percent of intermediary reconsiderations resulted in full or partial reversal. These figures exclude cases which were dismissed or withdrawn.

Mr. Conte: How does this compare with reversals for the past few years?

Dr. Wilensky: The figures for FY 1987 through FY 1989 appear in the following table.

Reversal Rates

	Carrier Reviews	Carrier Hearings	Intermediary Reconsiderations
1987	59.7%	64.4%	39.5%
1988	56.9%	57.5%	41.4%
1989	57.5%	55.8%	47.2%

Mr. Conte: For the record, please provide the committee with these number by provider groups, e.g., home health, inpatient hospital, skilled nursing facility, etc.

Dr. Wilensky: The figures appear in the table below.

Reversal Rates: Intermediary Reconsiderations

	Hospital	SNF	HHA
1987	27.1%	20.6%	39.5%
1988	26.0%	47.8%	40.3%
1989	32.7%	43.6%	48.8%

COMPETITIVE BIDDING FOR DME

Mr. Conte: The Administration proposed in the FY91 budget that it was giving consideration to doing a competitive bidding demonstration project for durable medical equipment (DME). HCFA has considered competitive bidding in the past. What was the result of your evaluation of competitive bidding?

Dr. Wilensky: In 1985, HCFA entered into a contract to design and test the feasibility of using competitive bidding as a method of establishing the price Medicare pays for DME. At that time, Medicare's payment methodology was based on charges submitted by the industry. Other payers such as the Veterans Administration had achieved low payment levels by using alternative pricing methodologies, such as competitive bidding. It was believed that HCFA should explore, on a limited basis, the use of these types of systems.

The Omnibus Budget Reconciliation Act of 1987 established a new Medicare reimbursement system for DME effective January 1989 and prohibited demonstrations of alternative reimbursement systems for DME until January 1, 1991. Because of this Congressional moratorium, HCFA has not pursued the continued design and testing of competitive bidding systems.

Mr. Conte: Would it be appropriate for DME payments?

Dr. Wilensky: We believe that DME is an appropriate product for this type of payment arrangement because of the types of products offered and the nature of the DME business.

Mr. Conte: Moreover, what is the current status of your FY 91 proposal for competitive bidding for DME?

Dr. Wilensky: The moratorium on alternative payment models ends January 1, 1991. We are still interested in using competitive market forces as a means to set the price for DME and plan to explore the use of various market-driven type arrangements. One of my priorities is the development of competitive bidding procedures.

PART B ADMINISTRATIVE COSTS

Mr. Conte: The administrative costs associated with processing Medicare claims are recognized to be high. Have you ever considered or evaluated opportunities to have dedicated carriers for large Medicare Part B providers and what efficiencies could result through a more extensive use of electronic interface?

Dr. Wilensky: HCFA takes pride in the results that have been achieved from concerted efforts over time to contain the cost of processing Medicare claims, particularly in view of the program's dynamic environment and the administrative focus on improving the quality of service rendered to Medicare beneficiaries.

In the past, we have implemented a number of initiatives aimed at improving the efficiency and effectiveness of our claims processing, increasing the percentage of electronic media claims, and recompeting facilities management contracts to capitalize on marketplace forces. We developed and implemented the Common Working File, which will essentially be in place by the end of FY 1990 on a national basis. We are currently working with the Medicare contractor community to identify and convert independent contractors to shared claims processing and shared maintenance arrangements.

In this vein, we are currently investigating the cost/benefits of using dedicated carriers and more extensive use of electronic interface. The data suggest that efficiencies may be realized as a result of increased use of electronic interface to transmit claims. In addition, it appears that contractors which have specialized units to process certain claim types tend to have lower claims processig costs for those claim types. This finding implies that there may be efficiencies to be gained through the dedicated processing of some claim types. More analysis is needed before final conclusions can be reached.

Lastly, HCFA's total Part B administrative costs for FY 1989 represented only 1.26 percent of total Part B benefit outlays in that year.

MEDICARE SECONDARY PAYER

Mr. Obey: OBRA 89 contains new provisions to greatly enhance enforcement of the Medicare secondary payer law. These provisions were to save over $300 million this year and even more next year. What is the status of these saving reforms and when do you expect to see results?

Dr. Wilensky: OBRA 89 contained a provision requiring a data match between the Internal Revenue Service (IRS), the Social Security Administration (SSA) and the Health Care Financing Administration (HCFA) to identify potential Medicare secondary payer situations. The data match process is complex. First, SSA will provide the IRS with the names of Medicare beneficiaries. Using information available through tax returns, IRS will then identify links between beneficiaries and spouses and return that information to SSA. Using the earnings records it maintains, SSA will then identify any beneficiaries or spouses with earnings during the periods 1987 through 1989, and disclose this information and related employer information to HCFA.

HCFA will designate a contractor to contact employers to ascertain periods of employment and employer-sponsored health benefits. Once employment and health benefits are determined, HCFA will search its payment records to identify potential mistaken Medicare primary payments made during the periods of employer health coverage, and will attempt to recover the mistaken payments.

Since information concerning individuals is being exchanged between Government agencies, the provisions of the Computer Matching and Privacy Protection Act (CMPPA) apply. The CMPPA requires that a justification for the match be prepared and cleared through the data integrity boards of both involved Departments, a Notice be published in the Federal Register, and a report submitted to the Congress 30 days before the initial match may take place.

The involved agencies are in the final stages of preparing the CMPPA documents. In addition, HCFA is preparing Paperwork Reduction Act clearances for collection of information from employers for submittal to the Office of Management and Budget. HCFA is also preparing the scope of work for selection of a designated contractor to conduct the employer inquiries. Further, HCFA and SSA staff are researching the possibility of beginning the project with a subset of information that would not be subject to the CMPPA, in an effort to initiate the project as quickly as possible.

Our current plans anticipate that we will begin to contact employers late during the fourth quarter of fiscal year 1990, and to begin recovery actions during the first quarter of fiscal year 1991.

Mr. Obey: Why was this area (the IRS/SSA/HCFA data match project) reduced in your operating plan for FY 90?

Dr. Wilensky: We reduced our operating plan for FY 90 when it became clear that HCFA would not be able to obtain recovery of mistaken payments during this fiscal period, due to the complexities delineated in previous response. OBRA 89 anticipates the initial disclosure of information from the SSA to begin within 14 days of enactment, with final exchange to HCFA completed 254 days following enactment--120 days for IRS to complete linking of spouses and 120 days for SSA to identify earnings. Once HCFA receives the information, it must contact employers to verify employment and type of health benefits applicable. Employers have 30 additional days to respond. This schedule does not provide for recovery of mistaken Medicare primary payments during FY 90, given the enactment date of the provision.

Mr. Obey: What other proposals do you have to prevent the payment of health claims where Medicare is not the responsible payer?

Dr. Wilensky: The Medicare secondary payer laws are very complex, and unfortunately do not readily lend themselves to a simple method of preventing mistaken payments. However, both the Office of Inspector General and HCFA are considering additional legislative proposals to be submitted for consideration during fiscal years 1991 and 1992.

We are taking an aggressive approach in efforts to educate the public on secondary payer provisions, enhance policy provisions relating to secondary payment, and to litigate cases where a pattern of non-compliance has been identified. Some of our fiscal year 1990 initiatives include:

- o We requested the Department of Justice to initiate litigation against three major insurers for noncompliance with the secondary payer provisions. These insurers are Blue Cross/Blue Shield of Michigan, Travelers, and Provident Insurance Company. The Department of Justice filed these actions. We received a memorandum of opinion in the Michigan case, and are now proceeding with assessment of damages.

- We are in the process of designing major systems changes that would significantly improve the exchange of identified secondary payment situations among our contractors in a timely fashion. We anticipate this system to be implemented October 1, 1990.
- We issued revised regulations concerning secondary payment on October 11, 1989. These regulations clarified and enhanced Medicare policies regarding secondary payments and Medicare's rights of recovery.
- Previously, we initiated a major outreach campaign to educate providers of health care to Medicare secondary payer situations. During fiscal year 1990, we targeted employers, insurers and beneficiaries for outreach presentations. We are preparing separate brochures for each audience and have made provisions for contacting 1.1 million employers, 30,000 insurers and 38 million beneficiaries with educational information regarding secondary payment.

Mr. Obey: Since you have said these areas are a high priority, why have you cut your budget in this area by $3.3 million?

Dr. Wilensky: The display of the operating funds does not include the request for the outlayed contingency which would serve as a base for OBRA 89 impementation expenses, such as the MSP data match.

WORKLOAD PROJECTIONS

Mr. Obey: In your request to OMB what was your workload projection for FY 1991?

Dr. Wilensky: Our OMB request (adjusted for the repeal of Catastrophic) projected workload of 90.9 million Part A claims and 518.2 million Part B claims.

Mr. Obey: How does this differ from your estimate that appears in your budget justification and what is the reason for the change in workload projections?

Dr. Wilensky: Our Congressional request is 8% less for Part A and 12% less for Part B. Our original claims estimate was reduced because of the elimination of the expected induced demand of Catastrophic Health Insurance, the removal of the payment floor in the last quarter of FY 1990 (which will result in some claims which would have been processed in 1991 being processed in 1990), and a decline in the rate of growth of benefit payments, which we believe may slow down the rate of claims growth. To protect against error in this analysis, we have requested that $100 million of the contractor contingency be reserved for unanticipated workload growth.

Mr. Obey: What assumptions were used in the statistical forecasting analysis that predict a sharp decline in the workload growth in FY 1991?

Dr. Wilensky: Our forecasting model uses prior history as the primary variable in claim forecasts. As the answer to the prior question indicates our reasons for reducing the estimate were made outside our forecasting model.

Mr. Obey: If your initial assumptions were correct, how much add to your budget would be required to handle administrative operations of claims processing?

Dr. Wilensky: We estimate $56 million would be needed. However, as I stated above, I believe our request is adequate.

PAYMENT SAFEGUARDS

Mr. Obey: The conference report last year directed you to maintain funding for payment safeguard activities at the FY 1989 level. You were directed to use the revenues that remained from the repealed Medicare Catastrophic Coverage Act for payment safeguards. However, it appears that the payment safeguard activities are funded below the 89 level. How do you justify your FY 91 request that fails to restore these funds to the FY 1989 level?

Dr. Wilensky: The repeal of Catastrophic Health Insurance made it possible to redirect catastrophic funds to payment safeguards. We have allocated an amount which brings the funding level near the FY 1989 baseline in 1990. We have continued the FY 1990 level into FY 1991. This funding level is consistent with our need to protect the integrity of program payments and at the same time comply with our statutory responsibility to process claims in an accurate and timely manner.

CLINICAL LABORATORY IMPROVEMENT AMENDMENTS

Mr. Obey: When will you have in place final regulations to implement the Clinical Laboratory Improvement Amendments of 1988?

Dr. Wilensky: The Proposed Rule to implement the CLIA 88 standards should be published in the Federal Register in April; also the proposed rule to implement the user fee provision should be published in April. The proposed rule specifying the criteria for recognition of accreditation and State programs and the proposed rule outlining the implementation of the enforcement and sanction provisions of CLIA 88 should be published in about two months.

It is not possible to predict dates for publication of final rules to implement CLIA 88 for the following reasons:

- The most significant rule is the one concerning proposed laboratory standards. Inasmuch as there is no scientific consensus on regulating laboratories on the basis of tests performed, the proposed rule truly represents proposed requirements. We definitely need recommendations and suggestions from the public and will seriously evaluate these comments in the development of the final rule;

- We anticipate receiving tens of thousands of comments, and the process of arraying and analyzing these comments is a formidable task, as is responding to the commenters in the preamble to the final rule. In addition, scientific and technical experts from PHS and HCFA will spend whatever amount of time is necessary to conduct a proper review and to develop the appropriate recommendations for a final regulation. The other rules have similar problems in varying degrees; and

- Finally, the CLIA 88 regulations affecting thousands of entities will require review and input from the highest levels of HHS.

In summary, it is possible to predict with some degree of confidence the dates for publication of proposed rules, but it is not possible or appropriate to predict publication dates for the final rules. However, development of the regulations to implement CLIA 88 is a top priority of HHS, and the best technical people in HCFA and PHS have been working on the implementation of CLIA 88.

RURAL HEALTH CARE TRANSITION GRANT PROGRAM

Mr. Obey: It is my understanding that around 200 hospitals have applied for transition grants under the Rural Hospital Transition Grant Program. Why have you not requested any funding in your FY 91 request for this program?

Dr. Wilensky: HCFA is conducting an evaluation of the effectiveness and impact of the grant program on rural hospitals and their ability to provide care to Medicare beneficiaries. The results of this evaluation will formulate the basis of recommendations to Congress about the grant program.

Mr. Obey: Many of the recipients of hospital transition grants are hiring consultants to assist them in applying for these grants. Why is HCFA not providing the technical assistance to the grant recipients?

Dr. Wilensky: HCFA has provided assistance to potential applicants by making a HCFA staff person available on a full-time basis to answer questions about the grant process and how to fill out the forms. In addition, many State governments and hospital associations have developed expertise in the program and are giving assistance to their constituent rural hospitals.

TECHNICAL ASSISTANCE TO RURAL HOSPITALS

Mr. Obey: Many of the small rural hospitals in Wisconsin have indicated to me that many of the forms and regulations regarding reimbursement are difficult to understand and thus have to hire consultants for assistance. Some of these same hospitals are also suffering financial woes and should not be spending their precious dollars on consultants. Please give me your comments on how the Congress and HCFA can better assist these hospitals by improving HCFA Regional Office assistance.

Dr. Wilensky: There is no question that the complexity of the Medicare program can sometimes be burdensome to small, rural providers. Regional Offices and, to an even greater extent, Fiscal Intermediaries (FIs) already attempt whenever possible to supply considerable technical assistance to these hospitals. Our contracts with FIs include consultative services provisions that specifically address the concern that you have voiced. FIs are directed to provide on-site assistance to any provider experiencing difficulties in preparing cost reports, in preparing claims, or in any other reimbursement area. Additionally, Medicare issues written guidance and instruction in the form of manuals to aid hospitals in their reporting and submission requirements.

It is difficult, within the budgetary and staffing constraints of the present time, to envision any significantly expanded levels of Regional Office direct technical assistance. Rather, our Regional Offices have the responsibility to examine instances in which FIs do not appear to be fulfilling the consultative services requirements of their contractual agreements with the government. HCFA will continue to promptly investigate any such instances that are brought to our attention.

PART B PREMIUMS

Mr. Roybal: Elderly out-of-pocket health care costs have risen from 12.3 percent of elderly income in 1977 to 18.2 percent of income in 1988. We estimate that this trend of health care costs is likely to reach 20 percent of elderly income by the early 1990s. What will the Administration do to protect beneficiaries from rising costs, including Part B premiums?

Dr. Wilensky: Several provisions under current law are designed to protect Medicare Part B beneficiaries from excessive out-of-pocket health care costs. Currently, beneficiaries have the option of enrolling Medicare contracting Health Maintenance Organizations (HMOs, and Competitive Medical Plans (CMPs). Primary care physicians coordinate the beneficiary's care, usually with a greater emphasis on preventive care which may ultimately reduce costs to the beneficiary and provider. Managed care systems, such as HMOs, frequently are able to provide additional benefits for lower premiums and cost sharing to beneficiaries than traditional fee-for-service Medicare.

The participating physician program encourages physicians to accept the Medicare amount as payment in full, thus protecting beneficiaries from balance billing. The success of this program is evident by the fact that 40 percent of physicians are currently participating, an all-time high. Further, even if a physician does not sign a formal participation agreement, the physician may "accept assignment", that is, accept the Medicare amount as payment in full on a service-by-service basis. Currently, about 80 percent of physicians' services are paid for on an assignment-related basis.

An important set of beneficiary protections is contained in the physician payment reform package included in OBRA 89. Physicians are prohibited from billing more than 125 percent of the Medicare amount in 1991, 120 percent of the Medicare amount in 1992, and 115 percent of the Medicare amount in 1993 and thereafter. Another provision in the physician payment reform package requires physicians to accept assignment on services provided to Qualified Medicare Beneficiaries (essentially, lower income Medicare beneficiaries).

The Part B premium is set by law to cover 25 percent of Part B costs for aged beneficiaries. However, there is a hold harmless provision under current law which is designed to ensure that no beneficiary experiences a real reduction in the amount of their Social Security payment because of an increase in the Part B premium.

Another way that beneficiaries are protected from rising Part B costs is that the annual Part B deductible remains constant at $75 each year. Since Part B expenditures increase each year while the deductible does not, the financial effect of the deductible on beneficiaries is lessened each year.

In addition to these valuable beneficiary protections, HCFA is proposing to allow hospitals to sign participation agreements on behalf of their hospital-based physicians, effective January 1, 1991. The participation agreement would apply to all radiology, anesthesiology, pathology, consultation, and emergency services provided at the hospital. We believe that encouraging medical staffs to participate in Medicare will help protect beneficiaries from balance billing when they have less opportunity to choose a physician.

Mr. Roybal: How do you justify the Administration's proposal to increase Part B premiums for future years?

Dr. Wilensky: The Administration's proposal would permanently set the Part B premium at the higher of an amount necessary to cover 25 percent of program costs for aged beneficiaries, or the Part B premium rate from the previous year increased by the most recent Social Security cost-of-living adjustment (COLA).

The Part B premium was originally designed to cover 50 percent of Part B costs. However, due to a premium freeze and legislation limiting annual increases in premiums, the share of program costs covered by the premium fell, rapidly reaching a low point of 24 percent in 1981. Since 1984, the premium has been set at 25 percent of program costs. However, if this methodology is used to set the 1991 Part B premium, the budget deficit would be increased relative to current law.

For 1991, the Part B premium would be $29.70 under the 25 percent rule, and would be $29.90 under our proposal. Importantly, for years after 1991, we project that the premium would be based on the 25 percent rule.

In any case, beneficiaries would continue to remain protected by the hold harmless provision. This provision prohibits an absolute reduction in beneficiaries' Social Security payments because of an increase in the Part B premium. Also, the provision which requires states to pay the Medicare premiums, coinsurance and deductibles for low-income Medicare beneficiaries would remain in effect.

OUT-OF-POCKET COSTS

Mr. Roybal: Please advise the Committee as to when an update from the 1988 study of health care costs (by age groups and including out-of-pocket care costs) will be made available to the Committee.

Dr. Wilensky: It is anticipated that the Health Care Financing Review article on spending for health care by age cohort, along with the accompanying press release of data, will be completed by September 17, 1990. At that time a copy will be forwarded to the Appropriations Committee.

Mr. Roybal: Please update the Committee on the following projects/models that are designed to estimate out-of-pocket health care costs:

- the Common Working File (CWF), which creates local databases,
- the Project to Redesign Information Systems Management (PRISM),
- the Consumer Expenditure Survey, and
- other cross-sectional medical surveys.

Dr. Wilensky: The only ongoing effort to estimate out-of-pocket costs is the Current Beneficiary Survey. This survey will provide more complete data on out-of-pocket versus insurance expenditures than do current data sources. The survey's information will also be much more current than that now available. It has the potential to produce longitudinal data on the out-of-pocket costs of the elderly.

The initial Current Beneficiary Survey should be administered in 1991. It will provide faster turnaround of information (about 1 year) than did past surveys. When repeated annually, it will give us good longitudinal data on out-of-pocket costs.

NATIONAL HEALTH ACCOUNTS

Mr. Roybal: Update the Committee on the results of HCFA's major benchmark of the entire National Health Accounts project.

Dr. Wilensky: HCFA has completed the benchmark revisions of the National Health Accounts, and it is in the clearance process. It is anticipated that there will be a press release of the data in the latter half of April.

MEDICARE PROVISIONS OF OBRA 87

Mr. Roybal: Please update this committee on the status of the Medicare home care provisions under the Omnibus Budget Reconciliation Act of 1987 (OBRA 87).

Dr. Wilensky: OBRA 87 amendments to the Social Security Act contained several major changes in the area of home health services. It revised the Medicare home health agency conditions of participation to include home health aide training and competency evaluation requirements as well as patient rights requirements. It substantially revised the survey and certification process under which a home health agency qualifies to provide Medicare-covered home health services. It also defined in statute the requirements that a beneficiary must meet to be considered "confined to the home" for purposes of qualifying for coverage of services under the Medicare home health benefit.

After meeting with a variety of organizations representing patients, providers, surveyors, and intermediaries, HCFA began to develop regulations which will implement these statutory revisions as well as codify them in Federal regulations. On August 14, 1989, HCFA published BPD 476-IFC, an interim final regulation which revised the Medicare Home Health Agency Conditions of Participation to include the OBRA 87 revisions. After considering comments that were received in response to this publication, HCFA is in the process of developing a final version of the regulation which we anticipate will be published later this year. HCFA is also in the process of developing interpretive guidelines to assist the States in surveying for compliance with the new requirements as well as conducting training sessions for State surveyors. So far this year, six of these sessions have been conducted at locations across the country.

Mr. Roybal: What regulations have been implemented and which are still pending on the Medicare Home Care provisions?

Dr. Wilensky: As I mentioned before, HCFA published BPD 476-IFC, which revised the Medicare Home Health Agency Conditions of Participation, last August 14. HCFA is currently in the process of revising that regulation in response to comments and anticipate publishing a final version of the regulation later this year. HCFA has also written BPD 626-P, which will codify the statutory definition of "confined to the home" for purposes of qualifying for the Medicare home health benefit in Federal regulations. This regulation is currently in the process of being cleared by the Department and we anticipate its publication as a Notice of Proposed Rule Making (NPRM) in the near future. Also in the clearance process is HSQ 169-P, which will implement the survey and certification revisions contained in OBRA 87. We anticipate that this regulation will be published in the summer, also as an NPRM.

Mr. Roybal: What problems have been encountered in implementing the provisions outlined in OBRA 87.

Dr. Wilensky: We have encountered relatively little difficulty in the development and implementation of the OBRA 87 provisions. As I mentioned before, HCFA has been careful to consult with representatives of consumers, providers, surveyors, and intermediaries before implementation of these provisions. It is our hope that by doing this we will be able to anticipate and address problems before they arise.

NURSING HOMES

Mr. Roybal: Please update this Committee on the status of OBRA 87 nursing home provisions.

Dr. Wilensky:

A. The Survey, Certification and Enforcement Regulation

The proposed rule to implement the survey and certification system (effective October 1, 1990) and the enforcement provisions of OBRA 87 has been drafted and is being circulated for internal HCFA comment. The regulation is based on extensive long term consultation with all of the interested (and fractious) parties, including advocates, providers, professionals, and enforcement agencies.

B. Standard/Extended Survey Process

- Sections 1819(g)(2) and 1919(g)(2) of the Act provide for a standard and extended survey, and for implementation of "programs to measure and reduce inconsistency in the application of survey results among surveyors." They also mandate a multi-disciplinary survey team and Secretarial responsibility for surveyor training and testing in survey and certification techniques.

- HCFA, after extensive consultation with, and review by, professional, consumer, enforcement and provider groups, has developed standard and extended survey procedures, including implementing forms and guidelines. These procedures, forms and guidelines have been developed to promote consistency in the survey process, including decision-making concerning facility compliance with the regulatory requirements.

- HCFA staff has presented the survey process at numerous large and small meetings of the above groups.

- Currently, pilot tests of the survey process, forms and guidelines are being performed by both State and Federal survey staff. These pilot tests will provide information needed to improve both the efficiency and the consistency of the survey.

C. Survey Consistency: Surveyor Testing

- HCFA has awarded a contract to develop a Surveyor Minimum Qualifications Test to provide a valid and reliable measure of surveyor competencies and incorporate remediation methods to improve surveyor performance. Again, we consulted widely with test and measurement specialists, regional offices, State survey agency directors, and expert surveyors. We expect to begin testing surveyors by October 1, 1990.

D. Survey Consistency: Surveyor Training

- Over the last year, HCFA central office staff has provided classroom training to over 1000 regional office and State survey agency surveyors. In addition, a self-instructional training manual was developed to assist State agency surveyors in learning the requirements, survey procedures, and guidelines. Each State and Federal surveyor nationwide was provided with a copy of the training manual.

E. Resident Assessment

- Sections 1819(b)(3), 1819(e)(5) and 1819(f)(6)(B) of the Act specify assessment requirements for skilled nursing facilities (SNFs), which provide skilled nursing, medical, and rehabilitative care to Medicare beneficiaries. Sections 1919(b)(3), 1919(e)(5) and 1919(f)(6)(B) contain parallel requirements for nursing facilities (NFs) providing care to Medicaid beneficiaries. These provisions require facilities to conduct comprehensive, accurate, standardized, and reproducible assessments of each resident's functional capacity.

- The assessment is to be based on a uniform minimum data set (MDS) of core elements and common definitions that is specified by the Secretary.

- In addition, the Secretary must designate one or more resident assessment instruments. States have the option of using the Secretary's instrument or choosing their own which is approved by the Secretary.

- HCFA contracted with Research Triangle Institute, Inc. (RTI) to develop and test the MDS and resident assessment instrument (RAI). In developing the instrument, RTI had extensive consultation with experts representing provider groups, consumer advocates and professional organizations. They also performed extensive field testing, determining provider acceptance, reliability and validity.

  Throughout the process, draft copies of the MDS have been distributed to all interested groups, and a draft copy of the instrument has been widely distributed to providers, consumers, and professional groups.

- HCFA is preparing a Notice of Proposed Rulemaking (NPRM) that will specify the MDS, core elements and common definitions and utilization guidelines, designate the Secretary's instrument, and propose criteria for evaluating alternative State instruments, as well as providing for regulatory implementation of the OBRA 87 requirements. Before the NPRM is published, we will distribute a draft copy to States, organizations and all long term care facilities.

Mr. Roybal: Which regulations have been implemented and which are still pending?

Dr. Wilensky: The survey, certification and enforcement regulation is still pending. We expect to publish the survey, certification and enforcement Notice of Proposed Rulemaking (NPRM) in the Federal Register by early summer.

For the resident assessment system, an NPRM is currently under development and is scheduled for July issuance. The Resident Assessment Instrument and Minimum Data Set will be implemented upon publication of the final rule.

Mr. Roybal: What problems have been encountered in implementing the provisions outlined in OBRA 87?

Dr. Wilensky: We have spent considerable time meeting with various groups representing industry, professionals, State and consumer organizations to discuss and seek input to the various approaches to restructure and refocus the survey and enforcement requirements. This input prior to promulgation of the regulations was valuable and we believe it will reduce the considerable comments expected from the proposed rule. We intend that the proposed regulations be indicative of more fundamental changes in the principles upon which the enforcement system is currently based.

The development of this new enforcement system has been difficult, especially in defining scope and severity so that it is useful and appropriate as a generic guide for all nursing homes and in linking specific penalties to the scope and severity. In addition, we expect some implementation problems in moving surveyors away from a system used for about 20 years to an entirely new concept in enforcement.

MENTAL HEALTH

Mr. Roybal: With all the available data indicating that the elderly (especially the elderly who live in rural areas, live in nursing homes or who belong to racial/ethnic minorities) are seriously undeserved by the current mental health care system, what further actions should the Administration and the Congress take to reform and upgrade Medicare and Medicaid with respect to mental health?

Dr. Wilensky: We have not seen evidence that the elderly are not able to obtain necessary mental health services. Medicare pays for inpatient mental health care, mental health services in nursing homes, and physicians' services. In fact, mental health coverage under Medicare has been expanded by both OBRA 87 and OBRA 89. As a result of these provisions, the fixed dollar limit on outpatient mental health care was eliminated. In addition, Medicare covers hospital-based programs of ambulatory care ("partial hospitalization services"). Also, effective July 1, 1990, the services of clinical psychologists are no longer restricted to community mental health centers (CMHCs), and the services of clinical social workers are covered for certain settings.

Medicaid covers mental health care provided in hospitals and nursing facilities and in institutions for mental diseases for individuals over age 65. Medicaid also covers psychiatrists' services and outpatient hospital clinic services. At the States' option, Medicaid can also cover clinic and psychologist services and prescription drugs.

We believe this coverage provides a broad array of service choices for meeting the mental health care needs of the elderly. We have no proposals at present to modify the coverage of mental health services under Medicare and Medicaid.

Mr. Roybal: What can be done to lower the 50% coinsurance rate to 20% and make it more affordable to lower income beneficiaries?

Dr. Wilensky: The 50 percent coinsurance requirement for outpatient mental health services is imposed by statute. Consequently, the law would have to be amended to modify the coinsurance level. The higher coinsurance amount for mental health services is consistent with private health insurance practice and is considered an incentive for the appropriate use of these services.

Mr. Roybal: Please include an update on the status of the Pre-Admission Screening and Annual Resident Review (regulations, problems or implementation and overview of the public comments).

Dr. Wilensky: A Notice of Proposed Rule Making was published in the Federal Register on March 23, 1990 and public comments are due back by May 22, 1990. It is too early to know what the public reaction will be.

HEALTH CARE QUALITY

Mr. Roybal: Recently the Institute of Medicine's report on quality assurance reported that the existing PRO system is ineffective and doesn't do enough to ensure high-quality care. The Institute's report further reports that PROs are "adversarial and punitive" and "use a sanctioning process that is largely ineffective."

Does HCFA agree? If so, what actions will HCFA take to address the ineffectiveness of the PROs?

Dr. Wilensky: The IoM report, based on interviews and anecdotal information, has concluded that there are a number of features of the PRO program which should be changed, and that to do a more systematic job of assuring quality, PROs would need to perform functions which are different from those they currently perform. We agree with that notion and have in fact been working on a number of projects which will enable a transition from current PRO functions to a set of functions which focus on systematic analysis of data rather than isolated review of individual medical records.

However, while we think that the future of quality assurance in Medicare lies in organizations performing the kinds of functions outlined in the IoM report, it is not accurate to characterize the current system as totally ineffective and adversarial. PRO functions are quite clearly spelled out in statute. Some of these functions put PROs and the medical community at odds. However, in a program like this, where one doctor reviews the work of another, there will always be a healthy tension.

There is clear evidence to show that PROs have been cost effective, and that the number of quality problems identified and interventions taken have improved the quality of care patients receive.

Mr. Roybal: What is the status of PRO review of ambulatory care settings (including doctor's offices) and HMOs?

Dr. Wilensky: On December 1, 1989, HCFA's contract with the Wisconsin Peer Review Organization to review care in ambulatory settings began.

o The purpose of this pilot study is to evaluate an approach to the monitoring and assessment of non-inpatient care provided to Medicare beneficiaries by privately practicing physicians (representing nearly all major specialties), and/or by other entities providing care outside of the inpatient hospital setting.

- The approach takes into account the patient's condition (severity of illness) at certain points in time, the sequence and patterns of care, and the variety of treatments used by the various medical specialties.

- Physician participation is voluntary in the seven participating States in the pilot study: Wisconsin, Washington, Arizona, Utah, Indiana, Connecticut, and North Carolina.

- Cases will be identified from HCFA's data base for 13 tracer conditions, and the patients' medical records will be reviewed for a given period of time for each condition.

- To date, panels of physicians have identified broad categories of data elements that would need to be collected. Over the next year, those categories will be analyzed to identify the discreet data elements that will need to be abstracted to fully develop a systematic and meaningful data acquisition process.

- The pilot project is scheduled to last for 2 years, with reviews of approximately 41,000 cases from 600 physicians.

The PRO review of risk-based HMO/CMP care was effective for services provided on or after April l, 1987.

- The purpose of the review is to assure the appropriateness of treatment, accessibility to needed services, timeliness of care provided, and the appropriateness of the setting in which services are rendered, and to determine if patients are being prematurely discharged.

- The PRO is required to review a sample of individual cases by examining medical records to determine if the quality of services meets professionally recognized standards of health care.

- The PROs depend on no-pay bills submitted to the Medicare fiscal intermediaries to determine the universe for the sampling required by the scope of work. Originally, we required the HMOs/CMPs to submit the claims; however, we found this very problematic. In August 1988 we made it a hospital requirement to submit the claim. We still have problems with bill submission and continue to have much lower than the anticipated number of claims for PRO review.

- During the development of the HMO/CMP scope of work, we met with the HMO industry, and continue to meet and work with them in an attempt to alleviate concerns.

- In addition, we have informed the HMO/CMP industry that we are willing to conduct pilot studies (in addition to the regular, ongoing PRO review) of alternative review methodologies. We have received three unsolicited pilot study proposals and have requested additional information from the offerors. To date, no further information has been submitted.

- We are also reevaluating the PRO scope of work to refine the methodologies used, and to concentrate review on those areas which are most problematic. Alternatives are presently being evaluated by HCFA to improve the review process.

Mr. Roybal: Please describe the steps which HCFA has taken to expand the review process to a) follow the patient throughout an episode of illness and b) follow beneficiaries across and between episodes of illness to assess the total care provided or not provided to beneficiaries.

Dr. Wilensky: HCFA strongly believes that in order to assess and improve the quality of medical care, it is necessary to focus on the outcomes of care, such as mortality, morbidity, disability and costs. To be used effectively, these outcomes must be measured over time, i.e., through followup of the patient during his or her episode of care. To assess the consequences of medical interventions, techniques are being designed to capture the requisite information on the procedures, the diagnoses, and the physiologic and functional state of the patient at the time of the encounter, and to follow the patient through the sequence of services and states of health and function.

We have several projects underway that will help to accomplish this. Last December we awarded a contract to the Wisconsin Peer Review Organization to conduct a pilot project to review care provided in ambulatory settings. Medicare beneficiaries under management for selected conditions and treatment over a one-year period will be studied. Thus, while potentially we will be tracking patients over several episodes of care, we also may be studying patients over one episode.

HCFA has also received unsolicited proposals from other Peer Review Organizations (PRO). Some of these proposals would perform longitudinal analysis of Medicare beneficiaries, either through one or several episodes of care. Other proposals would provide the tools for the PROs to effectively evaluate patient care and outcomes using sophisticated epidemiological and biostatistical techniques. We are currently reviewing these proposals, and hope to enter into contract negotiations in the near future.

RESEARCH AND DEMONSTRATIONS ON QUALITY ASSURANCE

Mr. Roybal: Please provide the Committee with an update on any research or demonstration projects HCFA has conducted, are conducting or has planned which pilot test quality assurance systems in ambulatory health care settings, home health care agencies, nursing homes, adult day care, physicians' offices, and Health Maintenance Organizations.

Dr. Wilensky: HCFA is funding several projects to study the quality of home health care:

> (1) HCFA has awarded a contract to the University of Colorado to develop and test outcome-based indicators of quality for Medicare home health services. The study will examine several different measures of quality to determine how these measures differ in terms of reliability and validity, availability of data, operational feasibility, and costs. This contract was awarded in September 1988 and is scheduled to be completed early in 1993. With the assistance of a workgroup of experts that includes industry representatives, the contractor has identified a range of potential quality indicators and is performing preliminary data collection to explore their feasibility and validity. Based on these initial analyses, the potential indicators will be refined and further assessed in a more comprehensive data collection and analysis effort.
>
> (2) In 1989 HCFA awarded a contract to the University of Minnesota to study several related issues regarding the quality of home care services for the elderly. This contract includes the development of a taxonomy of the key objectives of home care services from the perspectives of consumers, providers, regulators, and private payers; the design and feasibility testing of a methodology to assess levels of need for, and access to, adequate home care services for several population subgroups; and a study of factors affecting the supply of paraprofessional home care workers and their impacts on the quality of home care.

HCFA also is funding an innovative approach to nursing home quality assurance in New York State using patient-level resident assessment data from the State's case-mix based payment system to target nursing facilities and residents for in-depth review. This pilot project, referred to as the New York State Quality Assurance (NYQAS) demonstration, was implemented in November 1988. Its design is consistent with Congress' and HCFA's recent efforts to reform the survey and certification process in nursing homes by emphasizing more resident-centered and outcome-oriented indicators. HCFA has awarded a contract to Abt Associates to evaluate the effectiveness of this system. Results of this study are expected in December 1991.

HCFA will also include the use of resident-level data obtained through case-mix payment systems for Medicaid and Medicare patients to monitor individual resident care and the quality of long term care facilities in a multi-State nursing home case-mix and quality demonstration project that will be implemented in four States (Kansas, Maine, Mississippi, and South Dakota). This demonstration builds upon past initiatives with Medicaid case-mix payment and will test a newly developed Medicare case-mix adjusted payment system.

Although we are interested in developing quality assurance systems in ambulatory health care, adult day care, physician care, and health maintenance organization settings, no plans have been finalized for conducting pilot tests of such systems in these settings.

HMOs and OTHER MANAGED CARE

Mr. Roybal: What is the current overall status of the Medicare HMO and CMP program?

Dr. Wilensky: Although enrollment in HMOs has slowed since the first two years of the program, we are still experiencing a small but steady growth rate of about 10,000 additional beneficiaries each month.

We have not experienced much growth in the number of new contracts; however, the current national organizations (Kaiser, FHP, Humana, Pacificare) are committed to the Medicare market and should remain with the program and expand in some areas. However, they are concerned about issues such as the payment methodology and external quality review. Potential new contractors may be awaiting the results of efforts to resolve some of the payment concerns and PRO/QRO issues before they enter the Medicare market.

Mr. Roybal: What problems (e.g., marketing, financial solvency, provider payment, beneficiary complaints, selective enrollment and disenrollment) have been encountered in the use of HMOs and CMPs?

Dr. Wilensky: There have been no widespread systemic problems found in the Medicare HMO/CMP program. HCFA has continued its increased monitoring effort, and reviews performance associated with each of the areas mentioned in your question. In addition, the reviews also cover quality assurance mechanisms, availability and accessibility of care, and the adequacy of grievance procedures.

All Medicare-contracting HMOs/CMPs are reviewed at least every other year. Any deficiencies which are identified are reported to the contractor. Corrective action plans are submitted, negotiated, and monitored until the contractor remedies the deficiencies. When the deficiency is of a serious nature, the Office of Compliance initiates the formal regulatory compliance process.

Mr. Roybal: How many HMOs and CMPs have joined and how many have dropped out of the Medicare program in the past year?

Dr. Wilensky: In 1985, the Department published regulations implementing the HMO/CMP contracting provisions of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), opening the way for significant levels of HMO/CMP Medicare risk-based contracting. The first TEFRA risk-based contracts began operating in May of 1985. Most of the early contractors had prior Medicare experience as demonstration projects or cost-reimbursed HMOs, and Medicare enrollees in those organizations were converted to TEFRA risk-based status. Following is a listing of the number of participating HMOs/CMPs since 1985 and the number of contract non-renewals:

	12/85	12/86	12/87	12/88	12/89
Contracts	87	145	159	154	131
Non-renewals	3	7	29	32	35
January 1 Contracts	84	134	130	122	96

As of April, 1990, there are 97 risk-based contractors in 31 states; 10 of the risk-based contracts are with competitive medical plans (CMPs).

Mr. Roybal: What have been the corresponding changes in Medicare enrollment in HMOs and CMPs?

Dr. Wilensky: The following table shows enrollment trends in Medicare TEFRA risk-based HMOs and CMPs:

12/1/85:	441,000	1/1/88:	975,000
1/1/86:	467,000	12/1/88:	1,060,000
12/1/86:	814,000	1/1/89:	1,040,000
1/1/87:	837,000	12/1/89:	1,134,000
12/1/87:	1,003,000	1/1/90:	1,092,000

As of March, 1990, there are 1,124,067 Medicare beneficiaries enrolled in risk-based HMOs/CMPs. This is approximately three percent of the nation's Medicare population. The following states have Medicare

HMO/CMP enrollment at or exceeding 10% of the Medicare population: California, Colorado, Florida, Hawaii, Minnesota, and Oregon.

Mr. Roybal: What are the causes of HMOs and CMPs dropping out of the Medicare program?

Dr. Wilensky: The usual reason given by HMOs and CMPs that have not renewed their Medicare contracts is that the capitation rates Medicare pays are too low. We find, however, that the majority of HMOs/CMPs that fail to renew their contracts are HMOs/CMPs with small enrollments, or organizations in which Medicare enrollment comprises a small percentage of total enrollment.

The status of the Medicare risk-based program in part reflects changes in the commercial health insurance marketplace. We are witnessing a period of market consolidation and merger/acquisition activity among HMOs, with some HMOs experiencing financial difficulties. At the same time, HMOs are facing stiffer competition from other types of insurers that are adopting HMO-like practices to bring down costs. HMOs that are new to the Medicare market, or those that are not strongly committed to the Medicare market, are therefore cautious in their approach to Medicare risk-based contracting.

Mr. Roybal: What has been done this year to increase the enrollment of HMOs in the Medicare plan?

Dr. Wilensky: In addition to several projects to refine the payment methodology, HCFA has undertaken a number of initiatives in seeking to expand Medicare risk-based contracting:

o HCFA has formed an employer group task force. The task force is working with the HMO industry to facilitate employer group enrollments in the Medicare risk-based program, thereby making the Medicare risk-based option for retirees an integral part of the arrangement between employers and HMOs/CMPs. The task force is examining ways to remove any impediments under current Medicare regulations and policy that prevent employers or HMOs/CMPs from choosing Medicare risk-based contracting (for example, the method of marketing to employer group members and how such marketing can include the Medicare risk-based package; timing of commercial enrollments and disenrollments, to the extent that they differ from Medicare time frames; required Medicare open enrollment periods and the effect on employer group enrollees).

The task force convened a conference in March of this year to bring together HMOs interested in expanding employer group enrollment in Medicare risk-based contracts. This year, it is expected that HCFA will be able to implement a number of the proposals developed by the task force that will facilitate risk-based Medicare HMO enrollment for employer group members when they reach retirement age. This initiative is independent of the demonstration projects involving employer groups, the Medicare Insured Groups (MIGs).

- o HCFA staff continue to participate in industry conferences and other forums to publicize and explain the risk-based contracting program. There continues to be interest in Medicare risk-based contracting, though not at the level that existed when the program was essentially new.

- o HCFA has developed a sophisticated market penetration analysis that allows us to identify HMOs that are likely candidates for Medicare risk-based contracts based on demographic factors in the organization's service area. HCFA intends to take a much more active role in publicizing the risk-based contracting option for HMOs in such areas.

Mr. Roybal: What has HCFA done with respect to monitoring and ensuring acceptable HMO and CMP performances in the past 12 months?

Dr. Wilensky: During 1989, HCFA continued its established strategy for monitoring HMOs/CMPs with Medicare contracts. That strategy uses a proactive approach designed to identify problems before they reach a crisis stage. The approach included implementation of the following activities:

- o HCFA has conducted 67 monitoring site visits. These routine, biennial visits for Medicare risk-based contractors assess regulatory and contractual requirements related to the entity's overall operations, as well as its capability in carrying out the contract. A review guide was developed that has standardized, on a national basis, the evaluation of contractor performance. This is the third year that these reviews have been conducted. The decision was made to continue conducting corporate visits to entities (multi-state HMOs/CMPs) which have multiple affiliates throughout the country that contract with HCFA.

  It has been determined that the visits to the corporate office, as well as the operational affiliates, have provided information vital to the monitoring process.

- HCFA continues to maintain contracts with Peer Review Organizations (PROs) and Quality Review Organizations (QROs) to assess the clinical quality of care provided to Medicare beneficiaries enrolled in HMOs/CMPs with risk-based contracts.

- A survey was conducted of 17,400 Medicare beneficiaries who disenrolled from risk-based HMOs/CMPs during the first six months of 1989. The information received through this survey will assist HCFA in determining the reasons why Medicare members leave risk contracting plans and whether inappropriate practices contribute to disenrollment. If the data indicate that problems exist, the survey will assist in developing a standard monitoring approach to disenrollments. The results are presently being analyzed and a formal report should be completed by this summer.

- An important aspect of HCFA's monitoring strategy is to test and refine the Beneficiary Inquiry Tracking System (BITS), an automated repository of standardized information on beneficiary inquiries and/or complaints to HCFA about specific HMOs/CMPs. The information contained in BITS is comprehensive in nature and represents inquiries received in areas such as quality of care, enrollment/disenrollment, and HMO/CMP bill payment problems. After refinements, BITS will facilitate the focusing of compliance efforts on specific HMOs/CMPs. It will also help ensure that beneficiary inquiries and/or complaints received in HCFA Regional Offices are being addressed in a timely manner.

- HCFA continues to perform quarterly and/or yearly analyses of the financial status of all HMOs/CMPs. When problems are identified, a special investigation is initiated which may involve an on-site evaluation at the plan. In these cases, a complete analysis is performed using the review protocol.

Mr. Roybal: What major corrective actions have been taken with respect to specific HMOs or CMPs?

Dr. Wilensky: During 1989, HCFA initiated action to terminate two Medicare HMO/CMP contractors, one with a risk-based contract, and the other a cost contract. The cost contract plan was Island Care of Hawaii, with total enrollment of 18,000, of which approximately 500 were Medicare members. The risk-based plan was Foundation Health Plan of New Jersey, with total enrollment of 32,500, of which approximately 500 were Medicare risk enrollees.

A total of 67 routine monitoring site visits were conducted during 1989. Ten contractors are currently in non-compliance status, including one that is in receivership (Omnicare, New Jersey, with approximately 2,000 Medicare enrollees). Reasons for the non-compliance status of the other contractors, include:

- Large volume of unpaid claims more than 60 days old;
- Failure to maintain a fiscally sound operation;
- Failure to correct deficiencies found in levels of coverage (e.g., whether a particular service should be covered); and
- Difficulties associated with the implementation of PRO/QRO review.

For each of these HMOs, a corrective action plan has been implemented and is being closely monitored.

Mr. Roybal: Regarding the new Medicare initiative, "Medicare Plus", what assurances can you give us that beneficiaries will not be at risk of higher out-of-pocket costs, poorer quality care or inadequate access?

Dr. Wilensky: The issues you raise are significant. We are currently working on developing the Medicare Plus proposal. We plan to address these concerns in a way that is effective and helps build confidence in the program. Medicare Plus was designed to offer Medicare beneficiaries quality care and supplemental insurance coverage at a lower cost. The combination of a medigap policy with services provided through a preferred provider network is intended to save beneficiaries out-of-pocket expenses both through less cost sharing and a lower premium for supplemental insurance.

Medicare Plus plans will be required to maintain an internal quality assurance mechanism. In addition, since the regular payment and review mechanisms, including PRO review, would apply to Medicare Plus, HCFA is confident that beneficiaries will receive only medically necessary, high quality care. Other measures will be included in the final proposal as well.

RURAL PRIMARY CARE HOSPITAL PROGRAM

Mr. Roybal: What is the status of the Rural Primary Care Hospital program enacted in last year's budget reconciliation bill?

Dr. Wilensky: HCFA is giving a very high priority to planning the EACH/PCH program and is preparing to implement the program in the event that Congress appropriates funds in the next fiscal year. A senior policy official is overseeing the development of implementation guidelines within HCFA and will also coordinate the project with other interested organizations. Careful review is being made of existing policies related to payment, coverage, and quality assurance to determine what modifications would be required.

No funds were appropriated in FY 1990 for implementation of this program. If funds are appropriated in FY 1991, we will notify each State about the details of the program and how to apply.

MEDICAID

Mr. Roybal: What is HCFA's position on expanding Medicaid to cover all poor persons?

Dr. Wilensky: I will continue to encourage States, through the HCFA Maternal and Infant Health initiative, to pursue programs which increase medical coverage for this vulnerable population.

Before considering further Medicaid expansions, it is important to examine the effect recent Medicaid expansions have had on the program. States need time to implement the changes permitted by recent legislation. In the meantime, States already have the option to expand coverage for pregnant women and infants up to 185 percent of the poverty line. Indeed, fifteen States are providing this coverage now, and four more have implemented coverage up to 150 percent of the poverty line.

Mr. Roybal: What is HCFA's position on making Medicaid, or a similar public program, available to others of limited means who could pay at least part of the cost of Medicaid-type coverage?

Dr. Wilensky: As vice-chairperson of HHS's task force on long-term care and the uninsured, I can tell you that we are exploring many options to assure [illegible] health care coverage for the uninsured. We are weighing expanding Medicaid to cover all poor persons and allowing other individuals to purchase insurance coverage from Medicaid. The task force will make its recommendations to the Secretary by this Fall.

Mr. Roybal: What is HCFA's position with respect to making this option available to small employers having financial difficulty obtaining and/or paying for health insurance?

Dr. Wilensky: We will be considering this issue as part of the task force's deliberations.

RENAL LITHOTRIPSY

Mr. Dwyer: In the State of New Jersey, we have three renal lithotripsy units. As this equipment is very costly and as New Jersey is a densely populated state, decisions were made to allow consortia of hospitals to purchase the renal lithotripsy units together, provide transportation from member hospitals to the renal lithotripsy unit for treatment, and subsequent return to the member hospital for post-operative care. Because New Jersey hospitals have chosen to operate renal lithotripsy units in this cooperative manner, they find themselves unable to recover costs for providing this procedure from Medicare.

As you know, HCFA has stated its support for non-invasive techniques versus invasive surgeries. Why, then, is HCFA discouraging its use in New Jersey by denying payment for renal lithotripsy, except for doctor services?

Dr. Wilensky: HCFA certainly supports the use of noninvasive surgical procedures where they are determined to be appropriate for the individual patient, and where payment can properly be made under the existing Medicare statute. In the case of renal lithotripsy, our coverage policy does not address the issue of the setting for the delivery of services (i.e., inpatient or outpatient). The choice of site is a judgment determination to be made by the patient's physician. However, when lithotripsy is performed in a freestanding facility, payment of a facility fee or other type of special overhead/technical component payment is precluded under the Medicare statute. According to our contacts at Blue Cross and Blue Shield of New Jersey, the lithotripsy centers in New Jersey applied for and were licensed as freestanding facilities. The only possible means of paying for the technical component of free-standing lithotripsy services currently available under the law would be as ambulatory surgical center services. We are continuing to explore the appropriateness of adding lithotripsy to the list of approved ambulatory surgical center procedures.

Mr. Dwyer: As the patient is given post-operative care in the member hospital, why has HCFA determined renal lithotripsy to be an "out patient" service?

Dr. Wilensky: Payment may not be made under the Prospective Payment System (PPS) for an inpatient procedure rendered to a patient who does not need inpatient care. This policy cannot be circumvented simply by admitting a patient into the hospital when he does not need hospital care solely for the purpose of getting services paid for under PPS.

MEDICARE ELIGIBILITY FOR AIDS PATIENTS

Mr. Dwyer: Earlier in the AIDS epidemic, victims of this disease who were under the age of 65 did not live long enough to become eligible for Medicare benefits. With the advent of AZT and other life-extending drugs, AIDS patients are now becoming eligible for Medicare benefits. How many AIDS patients are currently eligible for Medicare benefits?

Dr. Wilensky: It is estimated that approximately 2,000 Aids patients will be eligible for Medicare benefits during FY 1990.

Mr. Dwyer: Does HCFA have any plan of action to respond expeditiously to the special needs of Medicare beneficiaries who suffer from AIDS?

Dr. Wilensky: All Medicare beneficiaries suffering from AIDS are entitled to all reasonable and necessary therapies available, i.e., therapies that are safe and effective, not experimental, appropriate and accepted by the medical community. This is true for all Medicare beneficiaries, and does not preclude any reasonable and necessary therapy that may be obtained by an AIDS patient.

HCFA has established an on-going AIDS task force for the purpose of determining the unique needs of people who suffer from AIDS. This task force also serves to analyze HCFA's role in meeting those needs as well as determining and recommending any changes that the agency might make to better ensure the provision of any care that these individuals might require. As of now, however, HCFA does not have any plan or program designed to accommodate the specific needs of AIDS patients.

MEDICARE AIDS INFORMATION CAMPAIGN

Mr. Dwyer: Does HCFA plan to initiate any type of information campaign to AIDS patients on their rights and benefits as Medicare beneficiaries?

Dr. Wilensky: HCFA is currently preparing a publication which will describe the role HCFA programs play in providing health care services to AIDS patients. This AIDS publication will outline eligibility rules for Medicare and Medicaid, covered services that eligible AIDS patients might utilize, and sources of further information. The publication will be made available to States for distribution to interested parties, and will be distributed at the Sixth International AIDS Conference in San Francisco in

June, 1990. HCFA will also send this important new publication to any person requesting information.

Furthermore, the 1990 Medicare Handbook, which outlines eligibility and services covered under Medicare, will be mailed to every Medicare beneficiary by the end of May. It is also available through Social Security district offices, and will be mailed directly to anyone requesting the publication.

AIDS TREATMENT

Mr. Dwyer: As you know, every effort is being made by the National Institutes of Health and pharmaceutical companies to make experimental therapies available to AIDS patients. What mechanisms are in place to insure that HCFA keeps up with these changes?

Dr. Wilensky: Medicare already pays for a significant number of costs that might be associated with the administration of an experimental therapy. We do not pay for the cost of an experimental drug that may be associated with the therapy or the charge by the physician for administering the drug. Most of the hospitals that participate in the Medicare program, however, are paid under the prospective payment system (PPS). Under PPS, the hospital is paid an amount for each Medicare beneficiary based on the diagnosis that led to that patient's admission. No amount is carved-out of the hospital's payment when an experimental therapy or drug is used. If admission to a hospital is reasonable and necessary, payment is made, unless the sole purpose is to receive a non-covered item or service. Further, if complications arise as a result of receipt of an experimental therapy, Medicare will pay for a medically reasonable and necessary hospital stay, physicians' services, ancillary services, and other covered items and services.

Mr. Dwyer: What other drugs, besides AZT does Medicare pay for? Are there other recognized AIDS drug and treatments which Medicare does not pay for and why?

Dr. Wilensky: Generally, the current Medicare drug coverage policy provides for the payment for the labeled uses of any drug that has been approved for marketing by the Food and Drug Administration if the drug is not self-administrable. For any unlabeled use of an FDA approved drug that is not self-administrable, it is up to the individual Medicare contractor, in conjunction with the patient's physician, to determine if the use of that drug is reasonable and necessary for the particular patient. We understand that AZT usually is taken orally in capsule form, and therefore would not be covered. However, ganciclovir and aerosolized pentamindine, two other commonly used AIDS drugs, are not self-administrable, and therefore would be covered.

LONG TERM CARE

Mr. Pursell: The issues of long-term care and the uninsured have received front-page attention once again with the recent recommendations by the Pepper Commission.

While it is too early to comment on these recommendations, since they do not include any specifics on financing, I would like to raise a few general questions to you.

Do you foresee a joint government-private sector role in the area of long-term care in the future?

Dr. Wilensky: We certainly believe that both the public and private sector must share the responsibility of meeting the long-term care needs of our nation's citizens.

Mr. Pursell: As our elderly population increases at a faster rate than the nation as a whole, do you believe it would be worthwhile for the health care experts to come up with an affordable long-term care policy, particularly for those individuals who do not need round-the-clock nursing care, but who simply need assistance of a lesser degree?

Dr. Wilensky: The issue you raise is part of the current debate on long term care. The need for long term care and to whom and how it should be provided must be balanced by society's ability and willingness to pay for such care. The Department's task force on long term care is addressing such issues and will also consider the recommendations of the Pepper Commission and the Advisory Council on Social Security in developing its recommendations for a long-term care strategy.

Mr. Pursell: Many business owners simply cannot afford to offer health care coverage to their employees. Will you be working with other Federal departments to find more affordable ways for employers to offer health care coverage?

Dr. Wilensky: We will work with other Federal departments, as well as Congress, States, and the private sector to strengthen the health care delivery system and make it more responsive to the needs of the poor and the elderly. Secretary Sullivan will be leading the Domestic Policy Council's review of recommendations on the quality, accessibility and affordability of our nation's health care system. The review will include recommendations made by the Department task force on the uninsured and long-term care and the Advisory Council on Social Security, as well as other groups, such as the Pepper Commission.

IMPACT OF OBRA 89

Mr. Pursell: A significant portion of last year's reconciliation bill contained changes in the medicare and medicaid programs. How do these changes affect HCFA's needs?

Dr. Wilensky: We anticipate that the financial impact of OBRA 89 on HCFA FY 1991 program management costs will be in excess of $50 million. The major reconciliation provisions responsible for these significant costs are Physician Payment Reform, Pap Smears, and the Medicare Secondary Payer Data Match. In terms of impact on personnel allocation, our FY 1991 Program Management FTE request includes 65 FTEs primarily devoted to OBRA 89 workloads.

PAYMENT SAFEGUARDS

Mr. Pursell: The Administration requests an increase of $129 million for your Medicare contractors program. What kind of savings are possible with improved contracting efforts for the payment safeguards and secondary payer programs?

Dr. Wilensky: We expect payment safeguard expenditures to return savings of more than $3.7 billion. Of this, Medicare secondary payer savings are expected to be nearly $2 billion. In addition, we believe an additional $400 million in MSP savings will be generated by the new IRS/SSA data match mandated by OBRA 89.

PROCESSING AND ACCOUNTING

Mr. Pursell: How much money is lost annually as a result of errors in processing and accounting?

Dr. Wilensky: HCFA does not compute such costs. Errors which occur during claims processing are often detected by computer edit routines or post payment audit activities. In addition, incorrect payments are disclosed by beneficiaries and providers. When overpayments are disclosed, action is taken to recoup from the responsible party. We do not know of any losses resulting from accounting errors.

DEEMED STATUS

Mr. Pursell: HCFA has supported granting deemed status to quality private home health accreditation programs as a way to expand survey and certification resources. Now that the new home health Medicare conditions of participation are in place, when will HCFA move forward with deemed status for home health?

Dr. Wilensky: HCFA will move forward to review requests from accrediting organizations that their programs be granted deemed status for home health agencies (HHAs) as soon as the outcome oriented survey and enforcement processes for HHAs mandated by Congress are established. The survey process should be completed in about 2 months. The outcome oriented survey process, which includes the use of a standardized, reproducible assessment instrument and home visits, will play a significant role in our determination concerning whether an accrediting organization's requirements for HHAs provide reasonable assurance that Federal standards are met.

The enforcement process will be published as a proposed rule shortly. We will not be able to evaluate an accrediting body's enforcement scheme until we have completed final rulemaking on our own enforcement regulations.

HOME MEDICAL EQUIPMENT

Mr. Hoyer: Could you outline the impact of the six-point plan enacted in P.L. 100-203 on the home medical equipment industry?

Dr. Wilensky: Provided below is an outline of the impact of the six-point plan.

Impact of Section 4062 of P.L. 100-203 (The Six Point Plan)

Section 4062 of P.L. 100-203 requires HCFA to report to Congress on the availability of services and the impact of the volume adjustment for oxygen. This report, along with a GAO report on the impact of section 4062, is due on January 1, 1991. As such, it is too early to accurately report on the impact of this change in the method of making payment for medical equipment. Some of the issues that have surfaced as a result of the change in the law are as follows.

o Anticipated Effects of Oxygen Fee Schedules

Both industry representatives and HCFA anticipate significant changes in the oxygen delivery system as a result of the enactment of section 4062 of P.L. 100-203. Among such changes would be conversion by oxygen suppliers from more costly systems of delivery to systems that are more economical yet just as effective. Other changes would be utilization of oxygen conserving devices which have the potential of saving more than 50 percent of the oxygen previously required. Since suppliers are now paid on the basis of the amount of oxygen prescribed, rather than the amount used, they now have an incentive to provide the most cost efficient system. Our understanding, based on discussions with the industry and review of the trade press, clearly indicates that suppliers are adopting these cost saving mechanisms whereas in 1986, they had no financial incentive to do so.

o Prohibition on Purchase

Section 1834(a) does not permit payment for purchase of capped rental items (such as manual wheelchairs), items that require frequent and substantial servicing, and respiratory equipment. Payment is made only for rented equipment. There are a significant amount of rental episodes where it would be more economically advantageous for both beneficiaries and the Medicare program to purchase the equipment rather than to provide for indefinite rental.

Beneficiaries have complained that it is foolish for the government to pay indefinite rental when purchase would be more economical.

- Capped Rental Equipment

  Although it initially supported the 15-month capped rental provision, and indicated suppliers could accommodate instances where a patient renting a capped rental item were to relocate his residence or change suppliers, industry is now indicating difficulty with continuing to supply the equipment when either situation occurs. They also have problems with the 15-month rule for long term rental patients, e.g., rehabilitation patients.

- Variance in Fee Schedule Amounts Among Geographic Locations

  We have encountered numerous instances where the fee schedule amounts vary significantly among various localities. We expect regional pricing to moderate this variation to an extent. However, we believe the provision in the President's Budget for a national limitation is critically needed to eliminate the excessive variation.

Mr. Hoyer: To what extent have the home medical equipment proposals in this year's budget request already been reviewed and rejected by the Congress?

Dr. Wilensky: Some of the proposals in the Administration's FY 1991 budget were also in the Administration's FY 1990 budget: the proposal to base the fee schedule for capped rental items on average reasonable charges rather than submitted charges; the proposal to reduce payments for oxygen by five percent; and the proposal to pay for enteral nutrients on the basis of the fee schedule.

These proposals were included in the House Ways and Means reconciliation bill last year and were given serious consideration by the Senate Finance Committee. It is true that in the end these proposals were not included in the Omnibus Budget Reconciliation Act of 1989; however, this was more of a function of the budget target for Medicare and the fact that the Conferees chose to achieve significant savings through across-the-board reductions rather than judging the merits of individual proposals. The adoption by the Ways and Means Committee was a judgement that the proposals had merit; therefore, this year we hope to engage again in a constructive dialogue with the Congress on these initiatives.

The Administration's FY 1991 proposal to establish a national cap on Medicare payments at the median of the carrier fee schedule amount for each item of DME was not proposed by the Administration in FY 1990, although it was included in the House Ways and Means reconciliation bill. This proposal would result in a reasonable and equitable payment system for DME, and we are prepared to assist the Congress in their review of this provision.

Mr. Hoyer: Do we have any estimates on the potential savings that have accrued because patients have had access to home medical equipment rather than potentially expensive institutional care?

Dr. Wilensky: We have not reviewed whether use of home medical equipment has reduced expenditures by avoiding institutional care. However, previous studies have concluded that home care is generally not less expensive than nursing home care due to the cost of additional health and social services necessary to maintain an individual in a home and community setting.

Mr. Hoyer: To what extent will the Administration's cost savings proposals in the area of home medical equipment limit access to this mode of health care?

Dr. Wilensky: Our proposals will not affect access to medically necessary durable medical equipment. Rather, our proposals are directed at reducing wide geographical variations in payments, and reducing excessive payments and creating a more equitable payment system for certain items of durable medical equipment.

MEDICAID ELECTRONIC DRUG CLAIMS PROCESSING

Mr. Smith: Four years ago, the House Appropriations Committee instructed the Health Care Financing Administration (HCFA) to aggressively address the problem of managing prescription drug claims in a more efficient manner and we specifically talked about an electronic claims processing system as a means by which administrative costs, waste fraud and abuse could be reduced. While HCFA indicated to us its support for an electronic claims processing system for prescription drugs under Medicaid, we have yet to see any action by HCFA in terms of implementing such a policy in the States. As the Administrator of HCFA, the Subcommittee wants to know how you intend to reduce administrative costs for Medicaid prescription drug benefits?

Dr. Wilensky: Prescription drugs do comprise approximately 50 percent of the total claims processed by States. States recognizing the administrative cost savings have encouraged providers to submit claims in other than paper format. Our understanding is that nearly two-thirds of all Medicaid prescription claims are currently submitted electronically. The distribution of types of retail drug stores; e.g., "mom" and "pop" stores, large chains and high volume discounters varies widely among and within States. Since these state specific factors determine the cost-effectiveness of whether to use electronic billing for an individual provider, we believe States are in the best position to determine the specific implementation efforts for their States. HCFA has always encouraged States to seek and use cost-effective methods in their claims processing operations.

State-operated Medicaid Management Information Systems, used to process claims, contain a Systems Utilization Review Subsystem (SURS). HCFA funds the operation of this system at an enhanced rate. The SURS is used for utilization review activities as well as a source to identify and refer fraud and abuse cases. In July of this year HCFA will publish a brochure encouraging States to make greater use of SURS and identifying best practices for States to adopt.

AVERAGE WHOLESALE PRICES

Mr. Smith: Medicaid spending for prescription drugs now exceeds reimbursement expenditures to physicians. While HCFA cost-containment efforts seem to be aimed primarily at retail pharmacies, there continues to be alarming price hikes from pharmaceutical manufacturers for prescription drugs. Moreover, the Subcommittee is well aware of the on-going controversy regarding the agency's efforts to curtail the use of Average Wholesale Prices (AWP) as a payment parameter by the States.

If AWP is unacceptable to HCFA and taking into consideration the fact that the current reimbursement system is failing to control program costs, what initiatives, if any, are you considering to improve the Medicaid drug benefit, insure recipient access and enhance program savings?

Dr. Wilensky: Presently we are focusing our efforts on bringing into full implementation the Medicaid drug payment policies that were promulgated in 1987. These policies emphasized the increased use of therapeutically equivalent generic drug products instead of the more expensive brand-name drugs. The savings generated by our generic drug program exceed $100 million of both Federal and State monies per year. Of course, this is in addition to enforcing the long-standing policy of prohibiting the use of an unmodified average wholesale price by the state to establish estimated acquisition cost levels.

HCFA staff is studying proposals to reduce drug product costs by using volume purchasing. However, mandatory volume purchasing would require legislation.

RURAL HEALTH

Mr. Weber: Congress has moved in recent years to end the disparity between urban and rural reimbursement rates for Medicare. How far are we now from closing the urban/rural gap?

Dr. Wilensky: With the OBRA 1989 updates, the difference between the rural standardized amount and the average urban standardized amount is approximately 8 percent. The rural standardized amount is 7 percent lower than the average standardized amount applicable to hospitals located in urban areas with less than 1 million population.

Mr. Weber: As you are probably aware, hospitals in rural areas are facing greater costs per patient today than urban hospitals. This, combined with low reimbursement rates, has caused a virtual crisis for rural hospitals. In fact, as you know, hospitals in rural areas are closing at alarming rates.

Do you have any information as to whether or not the complete closing of the urban/rural reimbursement gap would be enough to save our rural hospitals?

Dr. Wilensky: The most recent data we have are for FY 1988. These data show that rural hospitals had an average Medicare operating margin of -2.5 percent compared with an average margin of 3.0 percent for urban hospitals. In FY 1988, the rural average cost per case grew at a higher rate than the urban average cost per case; however, the rural average cost per case is still significantly less than the urban average cost per case.

Although it is clear that rural hospitals have not fared as well as urban hospitals under PPS, it is also clear that PPS is not the major source of financial difficulty for many rural hospitals. The average rural hospital occupancy rate in FY 1988 was 36 percent compared with an average occupancy rate of 57 percent for urban hospitals. The Office of the Inspector General, in its analysis of rural hospital closings in 1987, found that Medicare reimbursement was not a significant factor in the 37 hospital closings. The historically low occupancy levels of the hospitals was the more important consideration. Thus, simply eliminating the separate urban/rural standardized amounts would be unlikely to make the difference for many of the rural hospitals that are facing closure.

Mr. Weber: Do you think that a full implementation of the proposed Resource Based Relative Value Scale (RBRVS) could stop this trend?

Dr. Wilensky: There is no direct connection between the RBRVS and payments to hospitals. However, indirectly, we think rural hospitals will be helped since payments to rural physicians will increase under the RBRVS which should make it easier to attract and retain physicians and medical staff.

Mr. Weber: What other suggestions might you have for helping rural hospitals?

Dr. Wilensky: As I mentioned earlier, we are exploring alternatives to providing accessible care in rural areas. Such programs as the Rural Health Care Transition Grant program and the recently enacted program for essential access community hospitals and rural primary hospitals will examine ways to modify the health care delivery system in rural areas. We are also funding demonstrations to see if rural health care can be provided in more innovative ways.

We are also developing our recommendations, as directed by Congress, and analyzing the impact of eliminating the differential in payment rates between urban and rural hospitals.

Mr. Weber: That leads to my next question. Having looked at the situation with rural hospitals today, it's clear that rural hospitals are facing a higher ratio of fixed costs per patient than urban hospitals generally. Clearly, unless we are willing to say to rural people that they must accept poorer or less accessible health care, something must be done.

Is it your view that rural hospitals are being run inefficiently, or must we face the fact that rural hospitals are inherently more expensive to operate and that our real choice is between increasing assistance to rural hospitals and patients or telling rural people that they must accept poorer quality or less accessible health care?

Dr. Wilensky: We must recognize a major contributing factor to the financial difficulties now experienced by rural hospitals is the changing demographic characteristics and declining economic climate of rural areas that have contributed to the reduced occupancy rates of their hospitals. Hospitals with substantial overcapacity are not able to operate at optimal efficiency. Rural hospitals also may not have the capacity to offer some high technology services that larger urban hospitals provide. This is why we are exploring alternatives to assure that basic health care services are available in rural areas and that arrangements are in place to provide more intensive treatment at another site.

RURAL HEALTH CARE TRANSITION GRANT PROGRAM

Mr. Weber: Last year, there was some confusion as to who actually makes the decision on these grants. On the one hand, I was told by HCFA that they were basing their decisions on the recommendations of the state Governors. On the other, I was told by the Governor's office in my state that he had nothing to do with it.

Who's right? And who will make that decision this year?

Dr. Wilensky: For the 1989 grant award cycle, State Governors or their designees were requested to evaluate the proposals from their State and to submit to HCFA any comments that they deemed to be appropriate. These comments were considered by the HCFA panelists who reviewed the applications. The final award decisions were made by HCFA and allocated to individual hospitals within the States based on merit as determined by the review panels.

For the 1990 grant award cycle, the Governors or their designees are also being asked to comment on grant applications from their States. The primary difference is that the applications will be sent directly from the hospitals to HCFA, with a copy to the Governor. This will allow the hospitals more time to prepare their applications. Governors' comments will continue to be considered by the review panels.

Mr. Weber: Some hospitals in my district are concerned that they are having difficulty with the Rural Transition Grant Program. Apparently they are told that the program intends to only provide funds for implementing actual changes, and not to provide funds for feasibility studies as to whether or not some kind of conversion would actually help them remain solvent.

This puts them in a bit of catch-22. On the one hand, they are told that they must prove that the conversion would make their hospital financially solvent. On the other hand, they can't get the funding needed to conduct the study needed to prove they qualify for the grant.

Do you see a way we can solve this problem?

Dr. Wilensky: The OBRA 87 legislation that established the Rural Transition Grant anticipates two types of activities under this program: (1) planning grants to permit the hospital (or consortium of hospitals) to determine the specific activities the facility should undertake to improve the provision of quality care to the community; and (2) grants for actual implementation of specific projects or activities. Thus, applications for grant funding may be principally for feasibility studies, for implementation of the project, or for both feasibility planning and implementation activities. The option is clearly described in the application package mailed to each rural hospital.

RURAL HEALTH CARE TRANSITION GRANT PROGRAM

Mr. Weber: Last year, it was necessary to request an extension of the application deadline for the Rural Transition Grant Program. What have you been doing to inform hospitals about the program, and do they have sufficient time to put together their applications?

Dr. Wilensky: Last year, eligible small rural hospitals were provided 60 days from the date that application material was sent to them to prepare and submit their original application. Legislation required that the original application be submitted to the Governor's office and that the Governor's office transmit the application to HCFA within 30 days after receipt.

OBRA 89 legislation changed the requirement that the original application be submitted to the Governor's office and subsequently forwarded to HCFA, stating instead that the application should be submitted directly to HCFA with a copy sent to the Governor's office. This change effectively eliminated a 30-day review/processing time for the Governor's office which HCFA, in turn, has provided as additional time to the applicant hospitals in preparing their proposals. Consequently, hospitals have 90 days to prepare their application for the fiscal year 1990 grant awards.

SMALL HOSPITAL CLAIMS PROCESSING

Mr. Weber: One thing that would really help small hospitals in the short run is a faster processing of claims. What is being done, particulary for small hospitals to speed up the process?

Dr. Wilensky: HCFA is continuously looking for ways to improve claims processing operations for all classes of providers and has several significant projects underway at the moment. One which will significantly enhance performance involves the use of standard claims processing systems by Medicare contractors. Another involves increased emphasis on use of electronic media by hospitals when submitting claims to Medicare contractors. Use of electronic media markedly reduces the burden involved in claim submission. We expect these efforts, and others, to facilitate increased efficiency and effectiveness in the processing of claims for all hospitals, large and small.

Regarding timeliness of claims payment, our current policy is to pay claims within a 14-day floor and a maximum (or ceiling) time of 24 days for all hospitals.

Mr. Weber: Some of the smaller hospitals in my district complain that they are required to submit a number of claims to prove that a service - such as ambulance service - has increased in cost. The problem is that they as smaller hospitals have fewer claims, so it takes a long time for them to justify an adjustment.

What can be done about this?

Dr. Wilensky: The provider should submit documentation supporting that its actual costs are significantly higher than the costs upon which its interim rate is based. In any case, at the end of the provider's cost reporting period, final payment is made by the intermediary based upon submission of the provider's cost report. Based on that payment, the intermediary may find that an increase in provider cost warrants that the interim rate needs to be adjusted for the upcoming year.

In some cases, a provider may be incurring additional costs due to increased utilization of the provider by Medicare patients. In such cases, the provider's interim rate applied to the additional services will yield additional Medicare payment without an adjustment of the rate. For example, the interim rate for hospital outpatient services, which includes ambulance services, is based on a percentage of Medicare charges billed to the intermediary. Therefore, charges billed for additional covered Medicare services will yield additional Medicare interim reimbursement.

Justifications of Appropriation Estimates
for Committee on Appropriations
Fiscal Year 1991

U.S. Department of Health and Human Services
Health Care Financing Administration
January 1990

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

	1991 Estimate		
	FTE Positions	Amount	Section
Grants to States for Medicaid		$44,901,509,000	I
Payments to the Health Care Trust Funds		37,056,000,000	II
Program Management	3,577	1,767,798,000	III
Health Maintenance Organization Loan and Loan Guarantee Fund		--	IV
Survey and Certification Revolving Fund 1/	550	510,100,000	V

1/ Self-financing revolving fund, no budget authority required.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

GRANTS TO STATES FOR MEDICAID

Budget for Fiscal Year 1991	**Page Number**
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HEALTH CARE FINANCING ADMINISTRATION

Grants to States for Medicaid

Appropriation Language

For carrying out, except as otherwise provided, titles XI and XIX of the Social Security Act, [$30,136,654,000,] *$34,501,509,000,* to remain available until expended: *Provided further, That no funds shall be obligated from this account for survey and certification activities authorized by Title XIX of the Social Security Act.*[1]

For making, after May [31,1990,] *31, 1991,* payments to States under title XIX of the Social Security Act for the last quarter of fiscal year [1990] *1991* for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary.

For making payments to States under title XIX of the Social Security Act for the first quarter of fiscal year [1991, $10,400,000,000] *1992, $12,400,000,000,* to remain available until expended.

Payment under title XIX may be made for any quarter with respect to a State plan or plan amendment in effect during such quarter, if submitted in or prior to such quarter and approved in that or any subsequent quarter.

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[1] This language removes funding for Medicaid survey and certification activities which will be financed through the Survey and Certification Revolving Fund Account.

GRANTS TO STATES FOR MEDICAID

Language Analysis

Language Provision	Explanation
For carrying out, except as otherwise provided, titles XI and XIX of the Social Security Act, $34,501,509,000, to remain available until expended: *Provided further, That no funds shall be obligated from this account for survey and certification activities authorized by Title XIX of the Social Security Act.*	This section provides a one-year appropriation for Medicaid. This appropriation is in addition to the advance appropriation of $10.4 billion provided for the first quarter of FY 1991 under the FY 1990 Labor, HHS, Education and Related Agencies Appropriations Act (P.L. 101-166). Funds will be used under title XIX for medical assistance payments and State administrative costs and under title XI for demonstrations and waivers. The new language removes funding for Medicaid survey and certification activities ($113.5 million) because all survey and certification activities will be financed through the Survey and Certification Revolving Fund Account.
For making, after May 31, 1991, payments to States under title XIX of the Social Security Act for the last quarter of fiscal year 1991 for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary.	This section provides indefinite authority in the last quarter of fiscal year 1991 to meet unanticipated costs.
For making payments to States under title XIX of the Social Security Act for the first quarter of fiscal year 1992, $12,400,000,000, to remain available until expended.	This section provides an advanced appropriation for the first quarter of fiscal year 1992 to ensure continuity of funding for the Medicaid program in the event a regular appropriation for fiscal year 1992 is not enacted by October 1, 1991.

GRANTS TO STATES FOR MEDICAID

Language Analysis

Language Provision	Explanation
Payment under title XIX may be made for any quarter with respect to a State plan or plan amendment in effect during such quarter, if submitted in or prior to such quarter and approved in that or any subsequent quarter.	This section makes clear that funds are available with respect to State plans or plan amendments only for expenditures on or after the beginning of the quarter in which a plan or amendment is submitted to HHS for approval.

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GRANTS TO STATES FOR MEDICAID

Amounts Available for Obligation

	1989 Actual	1990 Current Estimate	1991 Estimate
Appropriation	$34,179,237,726[1]	$39,062,106,000[2]	$44,901,509,000[3]
Indefinite Appropriation	621,674,120	1,092,848,000	--
Total Obligations	34,800,911,846	40,154,954,000	44,901,509,000

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[1] This amount excludes $56.8 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $74.5 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[3] This amount excludes $113.5 million for the Medicaid survey and certification activity which, beginning in FY 1991, is to be financed through the proposed Survey and Certification Revolving Fund.

GRANTS TO STATES FOR MEDICAID

Summary of Changes

1990 Adjusted Budget Authority	$40,154,954,000
1991 Estimated Budget Authority	44,901,509,000
Net Change	4,746,555,000

Explanation of Changes

	1990 Current Estimate Base	Change From Base
Increases		
1. State Estimates -		
Medical Assistance Payments	$38,225,059,000	$4,190,767,000
State Administration	2,033,484,000	138,602,000
2. MCCA Repeal (Medicare Provisions)	132,000,000	251,000,000
3. Family Support Act of 1988	--	5,000,000
4. OBRA '89	80,000,000	275,000,000
Subtotal, Increases	40,470,543,000	4,860,369,000
Decreases		
1. Financial Adjustments	--	-42,000,000
2. Medicaid Eligibility Quality Control	-300,000	--
3. Medicaid Initiatives	-240,741,000	-32,905,000
4. Survey and Certification	-74,548,000	-38,909,000
Subtotal, Decreases	-315,589,000	-113,814,000
NET CHANGE	40,154,954,000	4,746,555,000

GRANTS TO STATES FOR MEDICAID

Budget Authority by Activity

(Dollars in Thousands)

	1989 Actual	1990 Current Estimate	1991 Estimate
Medical Assistance Payments	$32,433,747	$37,121,911	$42,868,526
State Administration	1,745,491[1]	1,940,195[2]	2,032,983[3]
Total Appropriation	34,179,238	39,062,106	44,901,509
Indefinite Appropriation	621,674	1,092,848	--
Total Budget Authority, Adjusted	34,800,912	40,154,954	44,901,509

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[1] This amount excludes $56.8 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $74.5 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[3] This amount excludes $113.5 million for the Medicaid survey and certification activity which, beginning in FY 1991, is to be financed through the proposed Survey and Certification Revolving Fund.

GRANTS TO STATES FOR MEDICAID

Budget Authority by Object

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Grants, Subsidies and Contributions	$40,154,954,000[1]	$44,901,509,000[2]	$4,746,555,000

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[1] This amount includes $1,092.8 million in estimated indefinite authority but excludes $74.5 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $113.5 million for the Medicaid survey and certification activity which, beginning in FY 1991, is to be financed through the proposed Survey and Certification Revolving Fund Account.

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GRANTS TO STATES FOR MEDICAID

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Grants to States for Medicaid (Social Security Act, Title XIX, Section 1901)	Indefinite	$40,154,954,000[1]	Indefinite	$44,901,509,000[2]

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[1] This amount excludes $74.5 million for the Medicaid survey and certification activity which is included in the proposed Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $113.5 million for the Medicaid survey and certification activity which, beginning in FY 1991, is to be financed through the proposed Survey and Certification Revolving Fund.

9

GRANTS TO STATES FOR MEDICAID

Table of Estimates and Appropriations

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1977	$10,193,193,000	$10,193,193,000	$10,193,193,000	$10,193,193,000
1978	11,765,000,000	11,413,400,000	10,699,000,000	10,699,000,000
1979	12,138,589,000	12,050,589,000	11,785,589,000	11,758,589,000
1980	14,865,629,000	14,735,139,000	14,705,139,000	14,705,139,000
1981	15,877,052,000	15,877,052,000	---	17,071,043,000[1]
1982	18,918,365,000	17,539,843,000	---	17,539,843,000[1]
1983	17,006,162,000	17,895,162,000	---	19,361,845,000[1]
1984	20,737,578,000	20,737,578,000	20,673,708,000	20,673,708,000
1985	21,213,000,000	21,213,000,000	21,845,491,000	21,845,491,000
1986	23,690,469,000	23,690,469,000	24,295,492,000	24,643,904,352[2]
1987	24,708,122,000	25,880,359,000	26,270,000,000	27,612,359,812[3]
1988	28,120,000,000	30,046,000,000	30,046,000,000	30,768,496,807[4]
1989	32,732,589,000	32,739,589,000	34,236,000,000	34,857,674,120[5]
1990	37,398,197,000	38,616,497,000	39,136,654,000	39,136,654,000[6]
1991	44,901,509,000			

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[1] The Senate did not pass an appropriation for this account. The figure in the appropriation column represents the continuing resolution level.

[2] Includes $754.9 million under the indefinite authority.

[3] Includes $1,342.9 million under the indefinite authority.

[4] Includes $722.5 million under the indefinite authority.

[5] Includes $621.7 million under the indefinite authority.

[6] Does not include $1,092.8 million estimated under the indefinite authority.

JUSTIFICATION

GRANTS TO STATES FOR MEDICAID

Authorizing Legislation - Social Security Act, Title XIX, Section 1901

(Dollars in Thousands)

Program Activity	FY 1990 Appropriation	FY 1990 Current Estimate	FY 1991 Request	Increase/ Decrease
Medical Assistance Payments	$38,214,759	$38,214,759	$42,868,526	$4,653,767
Administration	2,014,743	1,940,195	2,032,983	92,788
Total, Budget Authority	40,229,502[1]	40,154,954[2]	44,901,509[3]	4,746,555

Purpose and Method of Operations

Title XIX of the Social Security Act was enacted to assist States in providing medical care to low income populations. Grants for medical assistance are made to States and jurisdictions having Medicaid plans approved by the Department of Health and Human Services. Including the Arizona Waiver, there is a Medicaid program in each of the 50 States, the District of Columbia, Puerto Rico and the Territories. In FY 1991, the Medicaid program, which is the largest single funding source of health care coverage for the poor in the United States, will finance health care services for nearly 26.2 million low income recipients. In general, eligibility for the Medicaid program is automatically linked to eligibility for the Aid to Families with Dependent Children (AFDC) and Supplemental

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[1] This amount includes $1,092.8 millions in estimated indefinite authority.

[2] This amount includes $1,092.8 millions for estimated indefinite authority but excludes $74.5 million for the Medicaid survey and certification activity which is included in the Survey and Certification Revolving Fund Account for display and comparability purposes only.

[3] This amount excludes $113.5 million for the Medicaid survey and certification activity which, beginning in FY 1991, will be funded through the Survey and Certification Revolving Fund Account.

Security Income (SSI) cash assistance programs. All AFDC and most SSI beneficiaries must be covered under the State Medicaid program. At their option, States may also cover the medically needy. Medically needy recipients are not eligible for SSI or AFDC because they do not meet the income or resource standards, but incur large medical expenses. Medicaid also covers low income pregnant women, infants and children who meet certain criteria.

Title XIX requires States to provide a minimum benefit package, including hospital inpatient and outpatient services, health screening services to children under 21, physician services, and nursing home care for individuals aged 21 or older. States may also elect to cover additional items such as drugs, dental care and services in intermediate care facilities. States have considerable flexibility in structuring their programs within broad guidelines established by the Federal government. Therefore, Medicaid programs can differ greatly from State to State.

The Medicaid program is administered by States and financed through joint Federal and State funding. Under current law, Federal funds are made available for medical benefit costs on the basis of a formula which determines the percentage of total program costs to be matched by Federal dollars. Under section 1905(b) of the Social Security Act, the match rates for vendor payments may range from 50 to 83 percent, depending upon each State or jurisdiction's relative per capita income. In FY 1990, the highest match rate for vendor payments will be 80.18 percent (Mississippi). In FY 1991, the highest match rate for vendor payments will be 79.93 percent (Mississippi).

The costs of administering the program are matched generally at rates which range from 50 to 90 percent, depending upon the type of cost. Under the Immigration Reform and Control Act of 1986 (P.L. 99-603), States may claim 100 percent Federal reimbursement for the Medicaid share of the costs directly related to operating immigration status verification systems.

Medicaid operates as a vendor payment program under which payments are made directly to the health care provider for services rendered to an eligible individual. Providers must accept the State's Medicaid payment as full recompense. By law, Medicaid is the payor of last resort. If any other party (including Medicare) is legally liable for services provided to a Medicaid recipient, that party must first meet its financial obligation before Medicaid payment is made.

Funding levels for the past five fiscal years are provided below:

	Appropriation	Current Estimate
1986	$24,643,904,352	--
1987	27,612,359,812	--
1988	30,768,496,807	--
1989	34,857,674,000	34,800,912,000[1]
1990	40,229,502,000	40,154,954,000[2]

Rationale For Budget Request

The amount requested for the Medicaid program in FY 1991 is $44,901,509,000.[3] The FY 1991 request represents an increase of $4,746,555,000 over the comparable FY 1990 estimated budget authority. The request is based upon spending estimates submitted by the States during the November 1989 reporting cycle. The request includes a number of adjustments made to the State estimates to project more accurately the Federal share of program expenditures under current law. These adjustments are displayed and discussed on the following pages.

The estimated FY 1991 Federal share of $44.9 billion represents 56.9 percent of the total $79.0 billion which is projected for Federal, State and local expenditures under the Medicaid program in FY 1991.

State Estimates for Medical Assistance Payments (MAP) and State/Local Administration

In November, the States estimated the FY 1991 Federal share of MAP and State and Local Administration costs at $44.4 billion, which is $4.3 billion higher than the FY 1990 Federal share of $40.1 billion projected by the States. The $4.3 billion increase represents a growth rate of 10.7 percent over FY 1990.

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[1] This amount excludes $56.8 million for the Medicaid survey and certification activity which is included in the Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $74.5 million for the Medicaid survey and certification activity which is included in the Survey and Certification Revolving Fund Account for display and comparability purposes only.

[3] This amount excludes $113.5 million for the Medicaid survey and certification activity which will be funded through the Survey and Certification Revolving Fund Account.

13

Medicaid State Survey and Certification

Beginning in FY 1991, all survey and certification activities will be funded through user fees. Please see the section on the Survey and Certification Revolving Fund.

Medicaid State Fraud Control Units

This activity provides funds for establishing and operating Medicaid fraud control units which identify, investigate and prosecute cases of fraud, abuse or patient neglect. The units also make recommendations to the State Medicaid agencies on corrective actions. The Office of the Inspector General, HHS, is responsible for overseeing the day-to-day operations of these units.

In FY 1990, 41 fraud control units are expected to be in operation at a projected cost of $51.0 million. In FY 1991, 42 fraud control units will be in operation at a projected cost of $53.8 million.

MEDICAID REQUIREMENTS

(Dollars in Thousands)

	FY 1990	FY 1991
November '89 States' Estimates (MAP & ADM)	$40,132,995	$44,420,655
Fraud Control Units	51,000	53,800
Total, Unadjusted Estimates	40,183,995	44,474,455
Current Law Adjustments		
Financial Adjustments	--	-42,000
MEQC Disallowances	-300	-300
Medicaid Initiatives	-240,741	-273,646
Family Support Act '88	--	5,000
Omnibus Budget Recon. Act '89	80,000	355,000
Medicare Catastrophic Coverage Act Repeal	132,000	383,000
Subtotal, Adjustments	-29,041	427,054
Current Law	40,154,954[1]	44,901,509[2]
Proposed Law	--	25,000
Total Request	40,154,954	44,926,509

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[1] This amount includes $1,092.8 million in estimated indefinite authority but excludes $74.5 million for the Medicaid survey and certification activity which is included in the Survey and Certification Revolving Fund Account for display and comparability purposes only.

[2] This amount excludes $113.5 millions for the Medicaid survey and certification activity which will be funded through the Survey and Certification Revolving Fund Account.

Impact of Proposed Legislation
(Dollars in Thousands)

FY 1991 Current Law	$44,901,509[1]
Proposed Law:	
Medicaid Managed Care Initiative	25,000
FY 1991 Request Net of Proposed Law	44,926,509

The Administration is proposing incentives to increase the use of managed care systems over traditional fee-for-service systems. Such increased use would provide the Medicaid population with higher quality care. Under the proposal, States would be given enhanced Federal funding for expenditures related to new recipients enrolled in managed care systems. This enhanced funding accounts for the additional outlays of $25 million in FY 1991.

The proposal would also allow States to implement mandatory managed care programs as part of their State plans without having to go through the complicated waiver process. Additionally, some of the existing enrollment requirements would be waived for certain Medicaid HMOs.

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[1] This amount excludes $113.5 million for the Medicaid survey and certification activity which will be funded through the Survey and Certification Revolving Fund Account.

CURRENT LAW ADJUSTMENTS TO STATE ESTIMATES

Various adjustments have been made to the November 1989 State estimates in order to arrive at an accurate estimate of Medicaid expenditures.

1. Medicaid Eligibility Quality Control (MEQC) Disallowances

The MEQC program relies on State quality control staff to conduct primary statistical sample reviews. HCFA reviews a subsample of cases and computes error rates using both State and Federal findings. The potential for disallowances based on error rates exceeding MEQC thresholds encourages States to reduce errors. In addition, the MEQC program is a management tool which enables States to target corrective actions in vulnerable areas.

Several legislative actions have affected the MEQC program. The Medicare and Medicaid Patient and Program Protection Act of 1987 (P.L. 100-93) clarified the language in section 2373 (c) of the Deficit Reduction Act of 1984 that provides for a moratorium on taking any financial action against States which have employed certain income and resource methodologies that are more liberal than those used in the cash assistance programs. This moratorium was in effect from October 1, 1981 to February 17, 1989. MEQC findings must be adjusted retroactively in consideration of these moratorium provisions. As a result, collections of disallowances for FYs 1982-1989 have been delayed until FY 1992. Also, the level of future disallowances is expected to be affected by the Medicare Catastrophic Coverage Act of 1988 which permanently allows States to use more liberal income and resource methodologies for certain groups of eligibles.

Under current regulations, funds can be prospectively withheld based on projected error rates which are subject to State rebuttal. Prospective withholdings for FYs 1990 and 1991 are projected at the FY 1989 level of $.3 million.

2. Medicaid Initiatives

A number of Medicaid initiatives are included in the budget. A detailed discussion of these initiatives is provided below.

o Medicaid Financial Management Reviews

Financial management reviews conducted by HCFA regional staff, augmented by reviews performed under contract, are expected to produce savings of $212 million in FY 1990 and $233 million in FY 1991.

- Definition of Mechanized Claims Processing and Information Retrieval Systems Qualify for Enhanced Federal Matching

  This initiative reflects a final rule published in the Federal Register on October 13, 1989. The rule specifies more precisely what systems would qualify for enhanced Federal matching of administrative costs (e.g., 75 or 90 percent).

  Savings of $18.7 million for FY 1990 and $25.6 million for FY 1991 are projected.

- Liens/Estate Recoveries

  Under current law, States have the option of imposing liens and making recoveries from estates. States are required to deny eligibility, subject to certain conditions, where there has been an inappropriate transfer of assets. HCFA continues to encourage States not pursuing estate recoveries, or pursuing them ineffectually, to improve their performance.

  Liens and estate recoveries are promoted when HCFA markets third party liability programs to State Medicaid agencies, governors, legislators, budget officers, and State program administrators. Additionally, an April 1989 HHS Report to Congress entitled, "Issues in Medicaid Estate Recoveries", included recommendations for future approaches to consider.

  As more States take action to implement estate recoveries, future savings are expected. This initiative is projected to save $10 million in FY 1990 and $15 million in FY 1991.

3. Family Support Act of 1988 (P.L. 100-485)

The Family Support Act of 1988 contains a number of provisions that affect the Medicaid program. For example, the Act provides for transitional extended medical assistance for AFDC families that lose cash benefits. It also makes mandatory the previously optional AFDC-Unemployed Parents program. These changes will increase Medicaid costs significantly. Other provisions of the Act, such as the Jobs Opportunities and Basic Skills Training Program, are expected to generate Medicaid savings.

Most of the impact of the Act will occur after FY 1990. The States' November 1989 estimates include all but $5 million of the projected FY 1991 net cost of $215 million (Federal share) associated with the Act.

4. Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239)

The Omnibus Budget Reconciliation Act of 1989 (OBRA '89) enacted after the State November '89 estimates were prepared contained a number of provisions that affect the Medicaid program. The OBRA '89 adjustment to the State estimates is estimated to be $80 million in FY 1990 and $355 million in FY 1991. A summary of OBRA '89 provisions reflected in this adjustment is provided below.

o Mandatory Coverage of Certain Low-Income Pregnant Women and Children (Section 6401)

States are mandated to extend coverage for pregnant women and infants with family incomes up to 133 percent of the Federal poverty level and to add mandatory coverage for children ages 1 to 6 with family incomes up to 133 percent of the poverty level. The effective date for both provisions is April 1, 1990.

Coverage of pregnant women and infants is expected to cost $25 million in FY 1990 and $115 million in FY 1991. Coverage of children from 1 to 6 will cost $45 million in FY 1990 and $185 million in FY 1991.

o Early and Periodic Screening, Diagnosis and Treatment Definition (Section 6403)

This section establishes a statutory definition of current EPSDT benefits for children ages 3 to 12 (5 to 12 for dental benefits). Effective April 1, 1990, States are required to provide coverage for treatment to correct physical or mental problems identified during EPSDT screenings, even if these follow-up services are not covered under the State's Medicaid plan but would be otherwise coverable under the Federal Medicaid Program. The Secretary is directed to establish annual goals for each State with respect to participation by eligible children.

Estimated costs are $20 million for FY 1990 and $35 million for FY 1991.

o Payment for Federally Qualified Health Center Services (Section 6404)

Effective April 1, 1990, States will be required to include in their Medicaid benefit package ambulatory services provided by Federally qualified health centers. These centers include community health centers, migrant health centers, health care for the homeless programs and clinics that meet the standards of these programs but are not actually receiving grant funds. States are required to pay these centers 100 percent of their reasonable costs.

Costs for FY 1990 are negligible. The estimated Federal share of the cost for FY 1991 are $5 million.

- Demonstration Projects to Study Expansion of Medicaid Benefits to Women and Children Not Otherwise Qualified (Section 6407)

  The Secretary is directed to enter into agreements to conduct demonstrations to study alternatives for extending Medicaid coverage to pregnant women and children under age 20 and whose family income is below 185 percent of the poverty level. Suggested alternative plans are: enrollment in an HMO, an employer's plan, a State's plan for its own employees or a State insured plan.

  Costs of services are to be matched at the State's normal Federal matching rate and costs for administrative expenses are to be matched at the appropriate matching level.

  The Federal share of the costs is limited to $10 million in both FY 1990 and FY 1991.

- Day Habilitation Disallowance Prohibition (Section 6411[g])

  The Secretary is prohibited from denying Federal funding for habilitation services to the mentally retarded if such services were part of the State's plan which was approved prior to June 30, 1989. The Secretary is also prohibited from taking adverse actions without promulgating regulations and providing for public comment.

  This provision is expected to add $10 million to FY 1990 and $15 million to 1991.

- Nursing Home Reform Delays (Sections 6901 [a-c])

  This section delays the implementation of several regulations pertaining to nursing homes. Section (a) postpones the effective date of HCFA's regulations on nursing home requirements from August 1, 1989 to October 1, 1990. Section (b) delays implementation of the Nurse Aide Training and Competency Evaluation requirements from January 1, 1990 to October 1, 1990. Section (c) modifies Preadmission Screening and Annual Resident Review requirements and delays their implementation from January 1, 1989, to April 1, 1990.

  Anticipated savings resulting from implementation of this section are $30 million in FY 1990 and $10 million in FY 1991.

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5. Medicare Catastrophic Coverage Act Repeal (P.L. 101-234)

The Medicare Catastrophic Coverage Act Repeal retained the following Medicaid provisions of the Medicare Catastrophic Coverage Act (MCCA): the mandated expanded eligibility for pregnant women and children, improved spousal impoverishment protections and the buy-in by Medicaid for qualified Medicare beneficiaries (QMB's). The costs of these provisions are assumed to be in the November 1989 State estimates.

However, the repeal of certain Medicare provisions in the MCCA are expected to increase Medicaid costs by $132 million in FY 1990 and $383 million in FY 1991. These cost increases are not assumed to be in the November 1989 State estimates. A more detailed discussion is provided below:

- Repeal of the expanded Medicare coverage of skilled nursing facility services

  The States' November 1989 estimates include projected Medicaid savings offsets of $112 million for FY 1990 and $133 million for FY 1991 as indirect results of the MCCA expanded Medicare Skilled Nursing Facility (SNF) coverage. These savings have been added back in since Congress has repealed the Medicare expanded SNF coverage.

- Repeal of the other Part A and Part B provisions

  It is estimated that the States' November 1989 estimates included Medicaid savings of $90 million in FY 1990 and $245 million in FY 1991 for the original Part A and Part B provisions in MCCA, including limits on deductible and coinsurance expenses. These savings are also added back in as a result of the repeal.

- Transition Provisions for Medicare Beneficiaries

  The expanded Medicare coverage of SNF services under MCCA will continue to be in effect for a limited period of time. This extension of Medicare coverage applies to SNF services beginning before (and including) January 1, 1990, until the end of the period of 30 consecutive days in which the beneficiary is not provided inpatient hospital services or SNF services. This transitional Medicare coverage is expected to result in a one-time Medicaid savings of $75 million in FY 1990.

- Additional QMB Costs/Savings

The November 1989 State estimates reflect QMB deductible and coinsurance costs projected under MCCA's prescription drug program.

With the repeal of the prescription drug program, a $20 million savings is expected in FY 1991.

However, additional costs of $5 million in FY 1990 and $25 million in FY 1991 are expected due to increased expenditures for the dually eligible, i.e., those beneficiaries for whom Medicaid pays the Medicare premiums and other cost sharing expenses.

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NATIONAL TRENDS
UNADJUSTED NOVEMBER 1989 STATE ESTIMATES

Expenditures for all categories of service are estimated by the States to increase by $4.2 billion (11 percent) from FY 1990 to FY 1991. The following table displays, for each major service category, the projected dollar growth and the percent of the total which this dollar growth represents. Institutional services account for a total of $2.4 billion, or 57 percent, of the increase in medical assistance payments. Non-institutional services account for a total of $1.8 billion, or 43 percent, of the increase in medical assistance payments.

MEDICAL ASSISTANCE PAYMENTS
MAJOR SERVICE GROWTH
FY 1990 - FY 1991

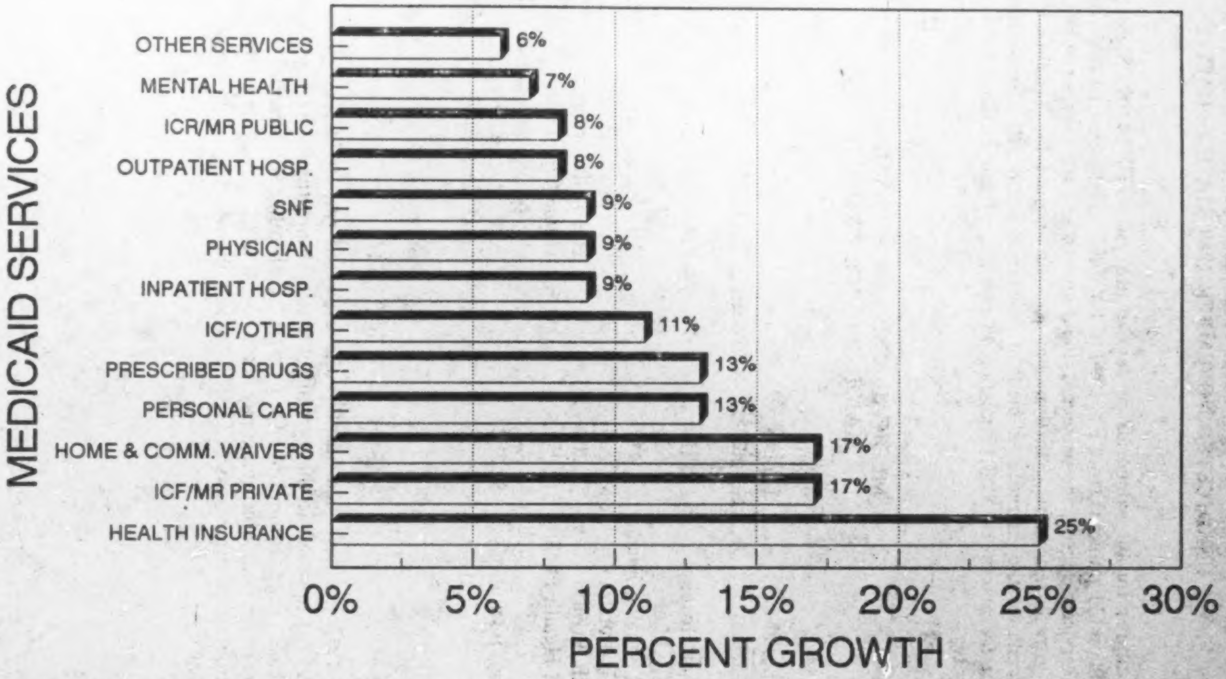
Institutional Services	Dollars (Millions)	Pct. of Growth	Non-Institutional Services	Dollars (Millions)	Pct. of Growth
Inpatient Hospital	$810	19	Prescribed Drugs	$329	8
ICF/All Other	624	15	Physician	236	6
Skilled Nursing Facility	417	10	Personal Care	130	3
ICF/MR Public	249	6	Outpatient Hospital	127	3
ICF/MR Private	204	5	Health Insurance	525	12
Mental Health Facility	78	2	Home/Community Based Waivers	112	3
Subtotal, Institutions	$2,382	57	All Other Services and Cash Flow	350	8
			Subtotal, Other	$1,809	43

Figure 1 on the next page displays the projected rate of increase between FY 1990 and FY 1991 (as opposed to the percent of the total growth) for each service category. Rates of increase range from a low of 6 percent for all other services and cash flow to a high of 25 percent for health insurance payments. Most of the growth in health insurance payments is attributable to the effects of OBRA '87 and the Medicare Catastrophic Coverage Act of 1988 (MCCA).

GROWTH RATES FOR MEDICAID SERVICES

FY 1990 - FY 1991

Figure 1



AVERAGE FY 90 - 91 GROWTH RATE IS 11%

The following table displays the estimated distribution of medical assistance payments by service category. Figure 2 displays the distribution of projected FY 1991 Medicaid services.

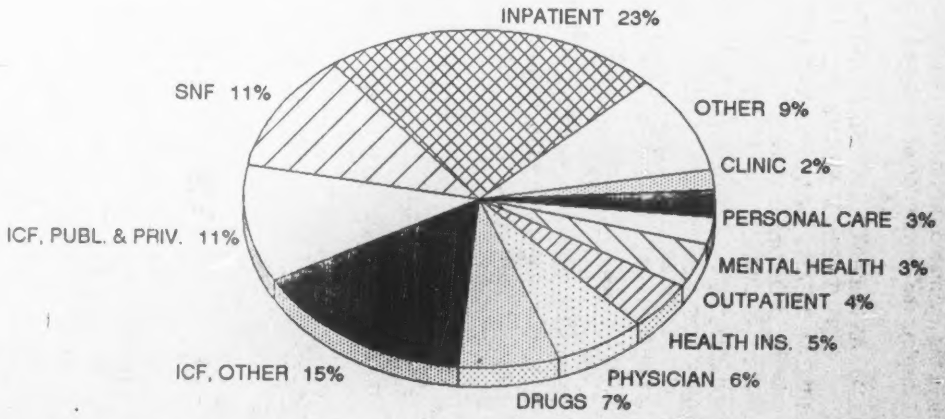
MEDICAL ASSISTANCE PAYMENT ESTIMATES
BY TYPE OF SERVICE
FISCAL YEARS 1989, 1990, AND 1991
(Dollars in Millions)

	Fiscal Year 1989		Fiscal Year 1990		Fiscal Year 1991	
	Amount	%	Amount	%	Amount	%
Inpatient Hosp.	7,878	23.7	9,105	23.7	9,915	23.3
ICF/All Other	5,095	15.3	5,697	14.8	6,321	14.8
Skilled Nursing Fac.	3,698	11.1	4,453	11.6	4,870	11.4
ICF/MR - Public	2,898	8.7	3,212	8.4	3,460	8.1
Prescribed Drugs	2,231	6.8	2,522	6.6	2,850	6.7
Physician	2,089	6.4	2,449	6.4	2,685	6.3
Outpatient Hosp.	1,524	4.6	1,676	4.4	1,803	4.2
ICF/MR - Private	997	3.0	1,180	3.0	1,384	3.2
Mental Health Fac.	953	2.9	1,024	2.7	1,102	2.6
Personal Care	848	2.6	987	2.6	1,117	2.6
Ins Pymts.- Other	851	2.6	1,119	2.9	1,327	3.1
All Other	847	2.5	964	2.5	1,057	2.5
Clinic	684	2.0	759	2.0	822	1.9
HCBS Waiver	565	1.7	667	1.7	779	1.8
Ins Pymts-Part B Prms.	528	1.6	774	2.0	1,053	2.5
Home Health	368	1.1	424	1.1	493	1.2
Dental	338	1.0	385	1.0	414	1.0
Lab & Radiological	203	0.6	236	0.6	261	0.6
Ins Pymts-Coins.& Ded.	175	0.5	228	0.6	266	0.6
Other Practitioner	193	0.6	225	0.6	249	0.6
EPSDT Screening	89	0.3	101	0.3	121	0.2
Sterilizations	92	0.3	88	0.2	97	0.2
Targeted Case Mgt	44	0.1	123	0.3	158	0.4
Rural Health Clinic	13	0.0	26	0.0	13	0.0
Hospice	6	0.0	11	0.0	13	0.0
Abortions	0	0.0	0	0.0	0	0.0
Subtotal	33,207	100.0	38,435	100.0	42,630	100.0
Less Collections	-510		-367		-354	
Cash Flow	35		157		140	
Total Estimates	32,732		38,225		42,416	

DISTRIBUTION OF MEDICAID SERVICES

ESTIMATED FOR FY 1991

Figure 2



ESTIMATED FY 1991 MAP
$42.9 BILLION

RECIPIENT DATA

The following table reflects the estimated annual unduplicated number of recipients (by basis of eligibility) receiving Federal medical assistance under the Medicaid program. The data are based upon quarterly Form HCFA-25 submissions from the 57 jurisdictions participating in the program.

When the jurisdictions fail to provide adequate recipient data in their budget submissions, HCFA makes projections based upon prior budget data or information from the form HCFA-2082, Statistical Report on Medical Care. For the information below, HCFA projected recipient counts for American Samoa, Guam, and Puerto Rico.

	Number of Recipients (In Thousands)			
	FY 1989	FY 1990	FY 1991	FY 90-91 % change
Aged 65 and Over	3,363	3,568	3,762	5.4
Blind and Disabled	3,670	3,905	4,183	7.1
AFDC Adults	5,694	5,835	5,971	2.3
AFDC Children	10,551	10,865	11,174	2.8
Other Children	1,368	1,583	1,703	7.6
Unduplicated Total[1]	25,052	25,153	26,179	4.1
Adjustment for QMB's not in State Estimates	200	275	400	
Adjusted Total	25,252	25,428	26,579	4.5

The growth rate of the eligibility categories for other children (7.6 percent), the blind and disabled (7.1 percent), and the aged 65 and over (5.4 percent) are projected to grow faster than the projected national average recipient growth rate of 4.1 percent. Figure 3 displays the estimated distribution of Medicaid recipients by eligibility status for FY 1990 and FY 1991.

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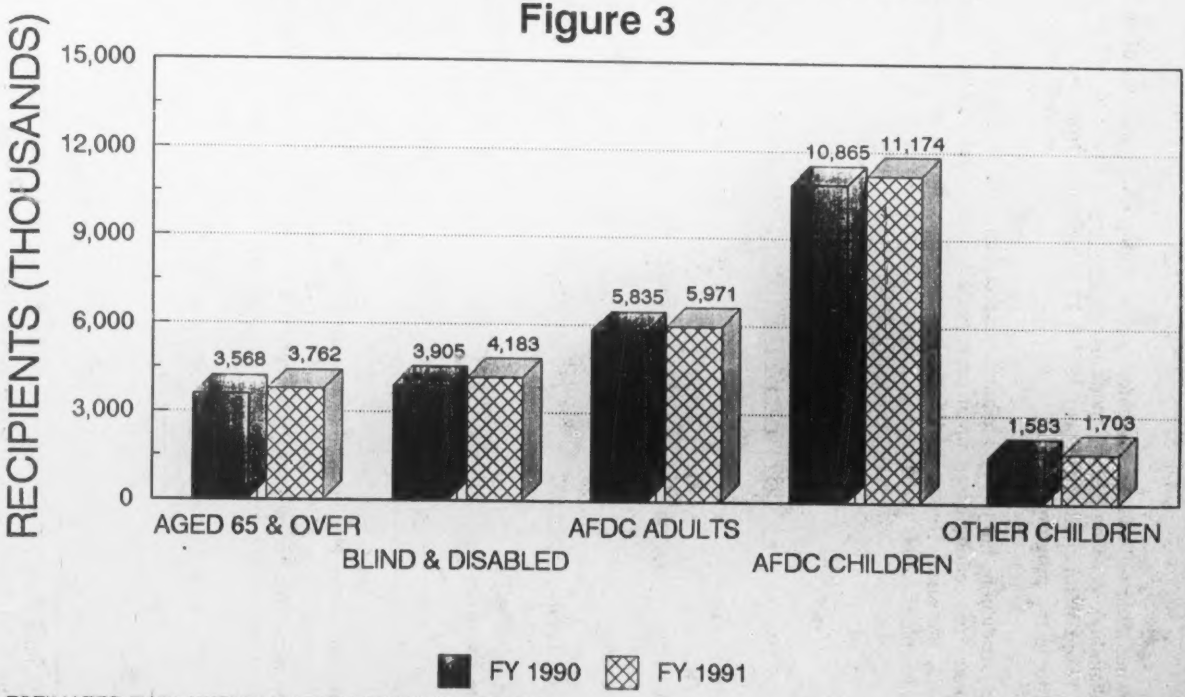
[1] The "Unduplicated Total" is less than the mathematical sum of the numbers in each column since a Medicaid recipient could be enrolled in more than one eligibility category during the year or could change assistance status.

MEDICAID ELIGIBILITY GROUPS
ESTIMATED FOR FY 1990 AND FY 1991
Figure 3



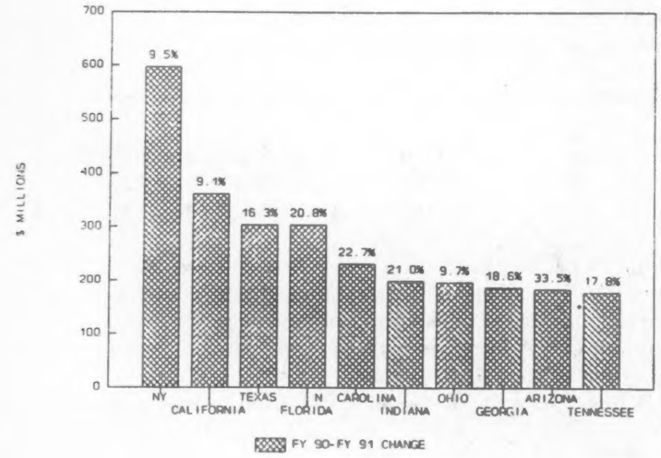
ESTIMATED FY 90 UNDUPLICATED RECIPIENTS: 25,153
ESTIMATED FY 91 UNDUPLICTAED RECIPIENTS: 26,179

EXPLANATION OF CHANGES IN STATE ESTIMATES BETWEEN FY 1990 - FY 1991 MEDICAL ASSISTANCE AND ADMINISTRATION PAYMENTS UNADJUSTED NOVEMBER 1989 STATE ESTIMATES

(Dollars in Thousands)

	FY 1990	FY 1991	Dollar Growth	Percent Growth
New York	$ 6,285,676	$ 6,882,345	$ 596,669	9.5
California	3,952,345	4,313,189	360,844	9.1
Texas	1,859,716	2,162,952	303,236	16.3
Florida	1,455,484	1,758,619	303,135	20.8
N. Carolina	1,014,563	1,244,572	230,009	22.7
Indiana	946,654	1,145,049	198,395	21.0
Ohio	2,023,257	2,219,244	195,987	9.7
Georgia	1,002,198	1,188,805	186,607	18.6
Arizona	546,622	729,848	183,226	33.5
Tennessee	997,650	1,174,699	177,049	17.8
Subtotal	20,084,165	22,819,322	2,735,157	13.6
All Other	20,048,830	21,601,333	1,552,503	7.7
Totals	40,132,995	44,420,655	4,287,660	10.7

The 10 States in the table above accounted for 63.8 percent of the FY 1990 to FY 1991 dollar growth. The following graph displays this growth.



EXPLANATION OF CHANGES IN STATE ESTIMATES BETWEEN FY 1990 - FY 1991

NEW YORK

TOTAL: $+596.7 million, +9.5%
MAP: $+577.5 million, +9.7%
ADM: $+ 19.2 million, +6.2%

New York projects that Medical Assistance Payments (MAP) will increase 9.7 percent between FYs 1990 and 1991. Price increases account for 75 percent of the growth while 25 percent is attributable to utilization and recipient changes, including those due to expanded Medicaid benefits under the Medicare Catastrophic Coverage Act (MCCA). Over 75 percent of the MAP growth is expected in alternative home care, institutional, skilled nursing facility (SNF) and intermediate care care facility (ICF) services.

Institutional, SNF and ICF costs are increasing at rates ranging from approximately 6 percent to 8.5 percent, and together comprise 55.2 percent of the MAP growth. Institutional per diem rate increases coupled with a greater elderly population requiring more expensive medical services are prime reasons for the MAP growth. New York attributes these increases to higher wages due to a shortage of health care workers.

Home and community-based waiver services, home health and personal care services together comprise an increase of 15.5 percent over FY 1990 costs. This high rate of growth reflects an aging population, a lack of available nursing home beds and an emphasis for the elderly to remain in their homes for health care. Also contributing to these increased costs are shorter hospital stays which necessitate alternative home care services over a longer period of time and greater utilization due to proprietary agencies and hospitals moving into home health care in increasing numbers.

Administrative cost increases of 6.2 percent primarily reflect the impact of price inflation.

CALIFORNIA

TOTAL: $+360.8 million, +9.1%
MAP: $+336.9 million, +9.2%
ADM: $ +23.9 million, +8.4%

California projects a 9.2 percent increase in MAP from FY 1990 to FY 1991. These projections include the effects of the Medicare Catastrophic Coverage Act, OBRA '87 and State legislative action affecting provider rates (particularly long term-care providers). Provider and beneficiary COLA increases added 8.5 percent and provider rate increases contributed 36.7 percent to the MAP estimates. Inclusion of the impact of Federal legislation (MCCA, OBRA '87 and the laws affecting aliens) added another 7.3 percent.

CALIFORNIA (cont.)

The major service components of the MAP increase are SNF services (23.9 percent), health insurance payments for Part B premiums (23.7 percent) and inpatient hospital services (22.7 percent). Price factor growth for intermediate care facilities for the mentally retarded (ICFs/MR) - Private accounted for 2.6 percent of the MAP growth and ICFs/MR - All Other add another .9 percent to the MAP request. A projected 16.1 percent increase in EPDST screenings contributes 1.3 percent to the MAP increase. The estimate for health insurance payments is 47.9 percent higher the FY 1990 request due to a 23.8 percent increase in its price factor and a 19.5 percent increase in its utilization factor.

TEXAS		
	TOTAL:	$+303.2 million, 16.3%
	MAP:	$+298.2 million, 17.0%
	ADM:	$+ 5.0 million, 4.6%

Texas projects a MAP growth rate of 17 percent between FY 1990 and FY 1991. This projection includes the impact of the Omnibus Budget Reconciliation Act of 1987 and the Medicare Catastrophic Coverage Act of 1988. The FY 1991 Federal Medical Assistance Percentage (FMAP) rate increase of approximately two percentage points accounted for 25.5 percent of the total growth.

Long-term care services reflects 39.7 percent of the FY 1991 growth in MAP. The leading contributors to this growth are ICF/All Other (19.7 percent), ICF/MR Private (10.6 percent) and SNFs (9.4 percent). Changes in prescription drugs (8.7 percent) and a reduction in projected collections (8.4 percent) also contributed to the MAP increase.

Staff increases to implement and administer the expanded Medicaid program are expected to raise administrative costs 4.6 percent.

FLORIDA		
	TOTAL:	$+303.1 million, +20.8%
	MAP:	$+299.0 million, +21.6%
	ADM:	$+ 4.1 million, + 5.7%

Florida projects a growth rate in MAP of 21.6 percent between FY 1990 and FY 1991. Four service categories account for 76.4 percent of that growth. These services are inpatient hospital (35.0 percent), ICF/All Other (22.0 percent), physician (10.7 percent), and prescription drugs (8.7 percent).

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FLORIDA (cont.)

The average increase in price factors is 11.0 percent. Examples of larger price factor increases are health insurance payments/co-insurance and deductibles (30.9 percent), other health insurance payments (23.9 percent) and inpatient hospital (22.0 percent).

Services with higher than average utilization factor increases are inpatient hospital days (15.9 percent), EPSDT procedures (24.3 percent), physician procedures (19.9 percent) and ICF/MR private days (17.2 percent).

NORTH CAROLINA	TOTAL:	$230.0 million, +22.7%
	MAP:	$225.4 million, +23.1%
	ADM:	$4.6 million, +11.9%

North Carolina projects a MAP growth rate of 23.1 percent between FY 1990 and FY 1991. The major service components of this growth are inpatient hospital (25.9 percent), prescription drugs (18.4 percent), SNFs (11.9 percent) and ICF/All Other (9.9 percent).

Price factors generally remained under 10.0 percent but large increases in utilization factors were noted in prescription drugs which rose by 2.2 million prescriptions (42.7 percent). This growth accounted for 14.0 percent of the total increase.

INDIANA	TOTAL:	$+198.4 million, +21.0%
	MAP:	$+196.0 million, +21.2%
	ADM:	$+ 2.4 million, +11.2%

Indiana projects a growth rate in MAP of 21.2 percent between FY 1990 and FY 1991. A flat-rate increase has been applied to all service categories resulting in a uniform growth in the dollar values of each one. All price factors grew by 4.1 percent and utilization factors increased by 14.5 percent.

Four service categories account for 64.1 percent of the MAP growth. These services are ICF/All Other (28.8 percent), inpatient hospital (19.8 percent), prescription drugs (8.0 percent) and SNFs (7.5 percent).

The largest price growth is found in the ICF/All Other service category which contributed 8.2 percent to the MAP growth. Inpatient hospital price increases of $30.37 per diem accounted for 5.6 percent of MAP growth.

INDIANA (cont.)

Changes in utilization factors contributed 36.8 percent to MAP growth. ICF/All Other days-of-care increased 2.3 million ($43.1 million) and inpatient hospital days-of-care are up 76,433 ($29.6 million).

OHIO

TOTAL: $+196.0 million, +9.7%
MAP: $+192.0 million, +9.7%
ADM: $+ 4.0 million, +8.1%

Ohio projects a MAP growth rate of 9.7 percent between FY 1990 and FY 1991. More than 71 percent of Ohio's growth is concentrated the five service categories: SNFs (28.2 percent), personal care services (24.0 percent), inpatient hospital (16.5 percent), ICF/MR-Private (11.7 percent) and physician (9.8 percent). In addition, projected increases for prescription drugs and health insurance payments contributed to the MAP growth.

Services expanded by Ohio have also increased MAP. These services include habilitation centers, disproportionate share hospital adjustment and expanded services in the area of prenatal care.

GEORGIA

TOTAL: $186.6 million, +18.6%
MAP: $177.0 million, +18.5%
ADM: $ 9.6 million, +20.0%

Georgia projects a growth rate in MAP of 18.5 percent between FY 1990 and FY 1991. The State applied flat rate percentages to dollar values and price and utilization factors in all service categories. Dollar values are inflated 18.6 percent which is based on price factor growth of 13.9 percent and utilization factor growth of 4.7 percent.

Increases in four service categories account for 64.5 percent of the total MAP growth. These services are inpatient hospital (25.1 percent), ICF/All Other (16.0 percent), physician (12.5 percent) and prescription drugs (10.9 percent).

Administrative cost estimates were projected by applying a uniform 20 percent inflation rate to all categories.

3·1

ARIZONA

TOTAL:	$+183.2 million, +33.5%
MAP:	$+182.2 million, +34.5%
ADM:	$+ 1.0 million, +5.5%

Recent or planned Medicaid expansions to Arizona's acute care program account for 71.1 percent of Arizona's MAP increase between FYs 1990 and 1991. Family planning services have been recently introduced and liver transplants are now covered. Starting in FY 1989, the State initiated plans to phase in an expansion of the age limit (from age 5 to age 8) for children who meet AFDC income and resource requirements. Commencing in July 1990, the State also plans to extend coverage to pregnant women and infants with incomes up to 130 percent of the Federal poverty level.

Arizona's coverage of long-term care services began on December 19, 1988, for the developmentally disabled and on January 1, 1989, for the elderly and the physically disabled. In FY 1991, the State will still be experiencing effects from the incorporation of long-term care services into their program. Arizona has projected a 28.9 percent growth in long-term care costs between FYs 1990 and 1991. Skilled nursing facility growth accounts for the 17.6 percent of the expected MAP increase.

TENNESSEE

TOTAL:	$+177.0 million, +17.8%
MAP:	$+175.9 million, +18.2%
ADM:	$+ 1.1 million, + 3.9%

Tennessee projects a growth rate in MAP of 18.2 percent between FY 1990 and FY 1991. Inpatient hospital contributed the largest amount to the total growth (27.8 percent). Other services with large growth are ICF/All Other (20.3 percent), physician (10.3 percent) and prescription drugs (9.1 percent). The FY 1991 budget projection assumes price increases of 3.4 percent and utilization increases of 12.5 percent over FY 1990. Exceptions to the uniform growth contributed the remaining 1.9 percent. One example of non-uniform growth is found in the price factor for home and community based services waivers which increased 12.5 percent.

STATE TABLES
ESTIMATES OF GRANT AWARDS
(Dollars in Thousands)

	FY 1989 Obligations	FY 1990 Estimate	FY 1991 Request
Alabama	$409,297	$550,834	$438,361
Alaska	67,242	85,685	95,088
American Samoa	1,390	1,450	1,450
Arizona	283,542	546,622	729,848
Arkansas	392,878	440,114	476,728
California	3,277,093	3,952,345	4,313,189
Colorado	280,243	321,840	344,040
Connecticut	574,709	621,029	688,099
Delaware	63,469	67,821	68,802
Dist. of Columbia	195,715	222,044	214,502
Florida	1,140,079	1,455,484	1,758,619
Georgia	810,456	1,002,198	1,188,805
Guam	2,336	2,500	2,500
Hawaii	105,150	108,072	108,916
Idaho	95,419	125,020	139,584
Illinois	1,135,503	1,210,534	1,257,326
Indiana	836,864	946,654	1,145,049
Iowa	353,860	401,234	461,705
Kansas	221,226	274,086	301,336
Kentucky	629,789	721,681	808,834
Louisiana	845,164	978,725	1,089,969
Maine	256,752	279,598	301,702
Maryland	534,991	560,688	613,964
Massachusetts	1,269,397	1,325,997	1,308,343
Mass. (Blind)	34,209	37,119	39,675
Michigan	1,269,745	1,343,797	1,376,113
Minnesota	720,378	724,354	768,275
Mississippi	414,889	466,861	492,935
Missouri	512,156	587,817	721,989
Montana	113,467	138,995	153,673
Nebraska	167,567	201,239	223,134
Nevada	62,571	79,634	91,150
New Hampshire	103,447	105,663	110,830
New Jersey	1,018,432	1,210,381	1,329,390
New Mexico	195,376	223,516	251,699

STATE TABLES
ESTIMATES OF GRANT AWARDS
(Dollars in Thousands)

	FY 1989 Obligations	FY 1990 Estimate	FY 1991 Request
New York	$5,603,705	$6,285,676	$6,882,345
North Carolina	851,686	1,014,563	1,244,572
North Dakota	125,187	144,134	166,234
N. Mariana Island	566	750	750
Ohio	1,669,692	2,023,257	2,219,244
Oklahoma	465,690	526,495	574,888
Oregon	311,624	371,444	398,586
Pennsylvania	1,724,297	1,799,423	1,917,545
Puerto Rico	76,200	79,000	79,000
Rhode Island	227,808	233,547	245,719
South Carolina	436,612	607,056	706,243
South Dakota	104,546	119,489	129,481
Tennessee	831,716	997,650	1,174,699
Texas	1,410,421	1,859,716	2,162,952
Utah	159,909	185,468	182,239
Vermont	88,943	100,342	107,315
Virginia	520,212	582,914	727,951
Virgin Islands	2,413	2,600	2,600
Washington	597,664	713,759	794,940
West Virginia	262,431	294,000	353,600
Wisconsin	785,589	828,957	889,635
Wyoming	39,866	41,124	44,495
Subtotal[1]	34,691,578	40,132,995	44,420,655
Fraud Control Units	43,563	51,000	53,800
Adjustments[2]	65,771	-29,041	427,054
Total	$34,800,912	$40,154,954	$44,901,509

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[1] These amounts do not include funding for the Medicaid survey and certification activity.

[2] Adjustments reflect current law changes.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

PAYMENTS TO HEALTH CARE TRUST FUNDS

Fiscal Year 1991 Budget

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HEALTH CARE FINANCING ADMINISTRATION

PAYMENTS TO HEALTH CARE TRUST FUND

Appropriation language

For payment to the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds, as provided under sections 217(g) and 1844 of the Social Security Act, Sections 103(c) and 111(d) of the Social Security Amendments of 1965, and sections 278(d) of Public Law 97-248 [36,338,500,000.] *$37,056,000,000*. (Department of Health and Human Services Appropriations Act, 1990.)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

PAYMENTS TO THE HEALTH CARE TRUST FUNDS

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation:			
Annual	$31,227,000,000	$36,338,500,000	$37,056,000,000
Unobligated Balance Lapsing		-1,558,500,000	
Total Obligations	$31,227,000,000	$34,780,000,000	$37,056,000,000

2

PAYMENTS TO HEALTH CARE TRUST FUNDS

Summary of Changes

1990 Appropriation	$36,338,500,000
1991 Request	$37,056,000,000
Net Change	+$717,500,000

Explanation of Changes

	1990 Current Estimate Base	1991 Change From Base
Changes:		
Built-In:		
1. Federal payment for Supplementary Medical Insurance	$34,367,000,000	+2,084,000,000
2. Hospital insurance for the uninsured	378,000,000	+181,000,000
3. Hospital insurance for Uninsured federal annuitants	35,000,000	+11,000,000
Unobligated Balance Lapsing	1,558,500,000	-1,558,500,000
Net change		+717,500,000

PAYMENTS TO HEALTH CARE TRUST FUNDS

Budget Authority by Activity
(Dollars in Thousands)

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Supplementary Medical Insurance	$30,712,000	$34,367,000	$36,451,000
Hospital Insurance for the Uninsured	493,000	378,000	559,000
Hospital Insurance for Uninsured Federal Annuitants	22,000	35,000	46,000
Unobligated Balance Lapsing	———	1,558,500	———
Total Budget Authority	$31,227,000	$36,338,500	$37,056,000

4

PAYMENTS TO HEALTH CARE TRUST FUNDS

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Grants subsidies, and contributions	$34,367,000,000	$36,451,000,000	+2,084,000,000
Insurance claims and indemnities	413,000,000	605,000,000	+192,000,000
Unobligated Balance Lapsing	1,558,500,000	________	-1,558,500,000
Total budget authority	$36,338,500,000	$37,056,000,000	+$717,500,000

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172	
The Committee has not included bill language proposed by the Administration indicating that the HI and SMI Trust Funds should not be used to support catastrophic coverage costs. This language would merely reinforce what is already clear in authorizing statute.	HCFA advanced this language in an effort to maintain the integrity of the self-financing aspects of the catastrophic health insurance program. However, the Medicare Catastrophic Coverage Repeal Act of 1989 (P.L. 101-234) eliminated the HI and SMI catastrophic health insurance programs and the need for this language.

PAYMENTS TO THE HEALTH CARE TRUST FUNDS

Authorizing Legislation

	1990 Amount Authorized	1991 Amount Authorized	1991 Budget Request
Payments to Health Care Trust Funds (sections 217 (g) and 1844 of the Social Security Act, sections 103(c) and 111(d) of the Social Security Amendments of 1965, and section 278(d) of Public Law 97-248)	Indefinite	Indefinite	$37,056,000,000
Total Budget Authority			$37,056,000,000

PAYMENTS TO HEALTH CARE TRUST FUNDS

Table of Estimates and Appropriations

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1978	$ 7,242,941,000	$ 7,242,941,000	$ 7,242,941,000	$ 7,242,941,000
1979	7,763,913,000	7,756,913,000	7,762,913,000	7,760,913,000
1980	7,769,906,000	7,966,406,000	7,969,906,000	7,968,156,000
1981	9,589,120,000	9,577,120,000	___	9,557,120,000
1982	14,520,000,000	14,338,000,000	___	14,338,000,000
1983	15,576,000,000	15,576,000,000	___	15,347,000,000 1/
1984	17,291,000,000	17,291,000,000	17,682,000,000	17,853,000,000
1985	19,904,000,000	19,807,020,000	19,872,000,000	18,750,000,000
1986	19,659,000,000	19,659,000,000	18,854,000,000	18,854,000,000
1987	20,357,000,000	20,826,000,000	20,826,000,000	20,826,000,000 2/
1988	26,958,000,000	25,893,000,000	25,364,000,000	25,893,000,000 2/
1989	32,100,000,000	31,227,000,000	31,227,000,000	31,227,000,000
1990	36,338,500,000	36,338,500,000	36,338,500,000	36,338,500,000 3/
1991	37,056,000,000			

1/ The Senate did not pass an appropriation for this account

2/ Appropriation column represents continuing resolution funding level for entire year.

3/ Includes a lapse in the amount of $1,558,500,000.

PAYMENTS TO HEALTH CARE TRUST FUNDS

Account Summary

	1990 Appropriation	1991 Estimate	Increase or Decrease
Supplementary Medical Insurance	$34,367,000,000	$36,451,000,000[1/]	+2,084,000,000
Hospital Insurance for the Uninsured	378,000,000	559,000,000	+181,000,000
Hospital Insurance for Uninsured Federal Annuitants	35,000,000	46,000,000	+11,000,000
Unobligated Balance Lapsing	1,558,500,000		-1,558,500,000
Total Budget Authority[2/]	$36,338,500,000	$37,056,000,000	+717,500,000

1/ Estimates assume that the rate of increase in the SMI premium is equal to the prior year's Social Security cost of living adjustment (COLA). Under proposed law the premium is permanently set at the higher of the COLA or the 25 percent level of aged incurred program costs. Under proposed law the SMI premium amount remains at the COLA level in 1991. In 1992 and later the premium is set at the 25 percent level of aged incurred program costs.

2/ This total does not include the permanent indefinite appropriation for Self-Employment Contribution Act (SECA) credits which will be made through this account. The tax credits are funded by the general funds of the Treasury. Due to the permanent indefinite appropriation for these credits, this request does not include funding for this activity The amounts of the credits are estimated at $367,000,000 for FY 1990 and -$4,000,000 in FY 1991.

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General Statement

This appropriation request covers three Federal Payments to the Health Care Trust Funds. Two of the three payments, totaling $605,000,000 are for Hospital Insurance (HI) Trust Fund. The two payments for the uninsured put the Hospital Insurance Trust Fund in the same financial position it would have been in had it not had to bear the cost of benefits chargeable to Federal funds. The third payment, which totals $36,451,000,000 is for Federal matching of premiums paid by or for individuals enrolled in the voluntary Supplementary Medical Insurance (SMI) program. In addition to funding current year costs, the two payments to the HI Trust Fund provide for adjustments between amounts previously appropriated and actual program costs.

1. Federal Payment for Supplementary Medical Insurance

Authorizing Legislation - section 1844 of the Social Security Act

FY 1990 Estimate Total Obligation	FY 1991 Estimate Total Obligation	Increase or Decrease
$34,367,000,000	$36,451,000,000	+2,084,000,000

Purpose and Method of Operations

The Social Security Act provides a voluntary Supplementary Medical Insurance (SMI) plan for which almost all persons age 65 and over are eligible. Two groups of individuals under age 65 can also become entitled to Medicare SMI services. First, disabled individuals who have been entitled to Social Security or Railroad Retirement benefits for at least 24 months can enroll. Second, most individuals who begin treatment for chronic renal disease can enroll, either immediately after beginning treatment or after a three-month waiting period, depending on treatment modality.

Medical insurance benefits and administrative expenses are financed by monthly premiums paid by enrollees and by a matching Federal contribution. Prior to the Social Security Amendments of 1983, the premium and the Federal contribution were promulgated each December by the Secretary of Health and Human Services for the 12-month period beginning the following July 1. As a result of the Amendments, the premium is promulgated in September for the 12-month period beginning January 1. These rates are based on an actuarial determination of the amount required both to finance the incurred costs of the program for that year and to maintain the trust fund balance at an adequate level.

At the beginning of the SMI program, the premium was set at 50 percent of estimated incurred costs. This premium amount is called the monthly actuarial rate. With the benefit years beginning after July 1973, however, the Congress mandated that the premium be equal to the lesser of either half of the estimated average monthly incurred costs for aged enrollees or the previous year's premium, increased by a percentage equal to the previous year's Social Security cash benefit cost of living adjustment (COLA).

Since the rate of increase in SMI benefits exceeded the COLA during the period from FY 1973 to FY 1982, the percentage of incurred costs financed through enrollee premiums declined to less than 25 percent. In order to prevent the further erosion of the premium's contribution to SMI financing, section 124 of P.L. 97-248 mandated that for benefit years beginning July 1, 1983, and July 1, 1984, the premium be established to cover 25 percent of the estimated aged incurred costs. However, as a result of the six-month premium freeze mandated by the Social Security Amendments of 1983, the premium is now on a calendar year (CY) basis. The premiums for CY 1984 and CY 1985 were established to cover 25 percent of estimated aged incurred costs. Premiums at this 25 percent proportion were extended through CY 1987 by the Deficit Reduction Act of 1984 (P.L. 98-369). Subsequent legislation has extended this provision: the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) for CY 1988 and the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) for CY 1989. The Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) again extended the 25 percent provision, this time for CY 1990.

The premium is $28.60 for CY 1990 and $29.90 in CY 1991 under both current law and proposed law. In 1991 the proposed law premium level (higher of the COLA level or 25 percent level of aged incurred program costs) is the COLA level.

Funding levels for the past five fiscal years were as follows:

1986	$18,076,184,000
1987	$20,299,288,000
1988	$25,418,000,000
1989	$30,712,000,000
1990	$35,925,500,000

Rationale for the Budget Request

The request for FY 1991 is $36,451,000,000 an increase of $525,500,000 over the amount appropriated for FY 1990 and $2,084,000,000 more than the current estimate for FY 1990. The increase is composed of estimated increases for the Federal Contribution in FY 1991. The basis for the budget request is as follows:

Decrease for FY 1990

The change in estimates is due to lower than expected costs in the SMI program. The FY 1990 appropriation equals financing needs anticipated in October 1988. Subsequent experience plus outlay reductions due to the Omnibus Budget Reconciliation Act of 1989 have resulted in a decrease of $2.70 in the monthly actuarial rate for aged enrollees from $59.90 to $57.20.

The estimated obligations for FY 1990 also include an adjustment because the FY 1989 appropriation was insufficient. A transfer payment of $967 million from the FY 1990 appropriation was made on December 31, 1989, to cover matching of premiums received in FY 1989 after the appropriation ran out. Even with the funding for the FY 1989 shortfall, the FY 1990 appropriation exceeds the estimated amount needed by $1,558,500,000

Increase for FY 1991

Last October the actuarial rates for CY 1990 were published. Subsequently, the Omnibus Budget Reconciliation Act of 1989 changed the allocation of SMI funding by decreasing the premium and increasing the premium matching from Payments to the Health Care Trust Funds. Financing for the first quarter of FY 1991 is now fixed. The actuarial rates for CY 1991 are estimated and will not be promulgated until next September. The estimated FY 1991 increase consists of:

- Program change - Between FY 1990 and FY 1991, program expenditures are expected to increase by 11.6 percent and 10.7 percent for aged and disabled enrollees, respectively.

- Population change - Between FY 1990 and FY 1991, the enrollee population is expected to increase by 510,000 for aged and 61,000 for the disabled.

- Contingency margin - The promulgated CY 1990 actuarial rates and the estimated CY 1991 actuarial rates contain a deliberate contingency margin to help to bring the trust fund to an optimal level.

SMI legislation proposals including the proposed transfer of Catastrophic flat premiums to the HI Trust Fund, if enacted, would decrease the requirement for the Federal Payment for SMI by $1,981,000,000.

Summary of Changes from Previous Estimate for Supplementary Medical Insurance

Aged

	Previous Estimate1/	(Current) Estimate	Change
FY 1990			
Average monthly cost per enrollee	$ 124.00	$ 114.40	- 9.60
Average Premium	-29.00	-28.60	+ .40
Average federal payment enrollee	$ 95.00	$ 85.80	- 9.20
FY 1991			
Average monthly cost per enrollee	$ 140.00	$ 125.00	- 15.00
Average premium	-30.00	-29.90	+ .10
Average federal payment/enrollee	$ 110.00	$ 95.10	- 14.90
Enrollees (in thousands)			
FY 1990	29,758	29,864	+ 106
FY 1991	30,269	30,374	+ 105

Disabled

	(Previous) Estimate	(Current) Estimate	Change
FY 1990			
Average monthly cost per enrollee	$ 86.20	$ 88.20	+ 2.00
Average premium	-29.00	-28.60	+ .40
Average federal payment/enrollee	$ 57.20	$ 59.60	+ 2.40
FY 1991			
Average monthly cost per enrollee	$ 105.40	$ 106.20	+ .80
Average premium	-30.00	-29.90	+ .10
Average federal payment/enrollee	$ 75.40	$ 76.30	+ .90
Enrollees (in thousands)			
FY 1990	3,020	2,971	+ 49
FY 1991	3,099	3,032	+ 67

1/ The previous estimate column is derived from the 1990 President's Budget.

2. Hospital Insurance for the Uninsured

Authorizing Legislation - sections 103(C) and 111(d) of the Social Security Amendments of 1965.

FY 1990 Estimate Budget Authority	FY 1991 Estimate Budget Authority	Increase or Decrease
$378,000,000	$559,000,000	+181,000,000

Purpose and Method of Operations

The Social Security Act provides hospital insurance for most individuals age 65 and over which pays for the costs of hospital and related post-hospital services, subject to certain deductibles and coinsurance requirements. Coverage extends to all persons age 65 and over entitled to Social Security or Railroad Retirement benefits. When Medicare was first implemented, the Congress further provided hospital insurance coverage to people who were already age 65 and over who were not insured under the Social Security or Railroad Retirement programs. The Congress took this action because most of these people had an insufficient opportunity to obtain program coverage. While the hospital insurance benefits and administrative costs for persons on the Social Security or Railroad Retirement rolls are financed from a separate payroll tax on employees, employers, and self-employed persons, the costs of providing benefits to aged uninsured individuals are financed through this appropriation from general revenues.

For uninsured persons who attained age 65 before 1968, no wage credit under Social Security is required for this federally funded coverage. For men who attained age 65 after 1967 and before 1975 (before 1974 for women), wage credits on a sliding scale are required for federally funded entitlement. For men who attained 65 after 1974 (after 1973 for women), the requirements for entitlement to hospital insurance benefits are identical to the requirements for Social Security or Railroad Retirement benefits. Thus, a gradually decreasing number of uninsured persons are eligible for hospital insurance benefits financed from general revenues.

Uninsured aged individuals who cannot meet these wage credit requirements also can obtain hospital insurance protection, but must pay monthly premiums covering the approximate cost of their coverage. The monthly rate was $156 for the year beginning January 1, 1989. Effective January 1, 1990, the rate increases to $175.

Funding levels for the past five fiscal years were as follows:

1986	$554,000,000
1987	$435,000,000
1988	$461.000.000
1989	$493,000,000
1990	$378,000,000

Rationale for the Budget Request:

The estimated FY 1991 request is $559,000,000.

The estimate is comprised of:

1.	FY 1991 Requirements	$335,000,000
2.	Adjustments --	
	FY 1990 benefits and interest costs	+34,650,000
	FY 1989 benefits and interest costs	+73,355,000
	FY 1988 benefits and interest costs	+47,761,000
	FY 1987 benefits and interest costs	+18,499,000
	FY 1986 benefits and interest costs	+12,746,000
	FY 1985 benefits and interest costs	+36,989,000
	Total Adjustments	+224,000,000
Total FY 1991 request		+$559,000,000

FY 1991 Requirements

The estimate of $335,000,000 is comprised of:

1. Benefit payments	$328,000,000
2. Administrative costs	7,000,000
Total	$335,000,000

Benefit Payments

Benefit payments for FY 1991 are expected to total $328,000,000 which is a decrease of $43,000,000 from estimated FY 1990 benefit payments (as included in last year's budget request). This is the eighth year that the request for this activity has decreased. This decrease occurs because the higher cost and utilization of covered services by the uninsured group is more than offset by the decline in the number of uninsured individuals. During FY 1991, there will be an estimated average of 133,000 uninsured beneficiaries compared to 166,000 in FY 1990.

Administrative Costs

Administrative costs for the hospital insurance program for the uninsured groups are included in HCFA's and SSA's justifications for their administrative expenses requests. The Agencies allocate administrative costs for the uninsured group based on the ratio of benefit payments for the uninsured to total hospital insurance benefit payments for the aged. Estimated administrative costs in FY 1991 are $7,000,000.

Proposed Legislation

HI legislative proposals, if enacted, would decrease the requirement for HI for the Uninsured by $17,000,000 in FY 1992.

3. Hospital Insurance for Uninsured Federal Annuitants

Authorizing Legislation - section 278 (d) of Public Law 97 -248

FY 1990 Estimate Budget Authority	FY 1991 Estimate Budget Authority	Increase or Decrease
$35,000,000	$46,000,000	+11,000,000

Purpose and Method of Operations

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) extended Medicare coverage to Federal employees. Federal wages earned after December 31, 1982, will be counted toward quarters of coverage needed to establish Medicare eligibility. Persons who had been employed by the Federal government prior to 1983, who were also employed during January 1983, can receive credit toward eligibility for noncontributory quarters worked in the Federal government.

P.L. 97-248 authorized an appropriation to the Hospital Insurance Trust Fund to cover the costs of benefits to these individuals, associated administrative costs, and an interest payment that would put the trust fund in the same position at the end of the fiscal year as it would have been if transitional coverage had not been created. In the short term, as increasing numbers of uninsured Federal employees reach age 65, the amount of the request is projected to increase.

Funding levels for the past five fiscal years were as follows:

1986	$12,000,000
1987	$12,000,000
1988	$14,000,000
1989	$22,000,000
1990	$35,000,000

Rationale for the Budget Request

The amount requested for this activity is $46,000,000, an increase of $11,000,000 over FY 1990. Since administrative expenses are nominal, they have been included in projected benefit costs of $46,000,000. HI legislative proposals, if enacted, would decrease the requirement for HI for the Uninsured Federal Annuitants by $3,000,000 in FY 1992.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

PROGRAM MANAGEMENT

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HEALTH CARE FINANCING ADMINISTRATION

Program Management

Appropriation Language

For carrying out, except as otherwise provided, titles XI, XVIII, and XIX of the Social Security Act, *and* title XIII of the Public Health Service Act, [the Clinical Laboratories Improvement Act of 1988, and section 4005(e) of Public Law 100-203, $101,908,000] *$90,079,000* together with not to exceed [$1,917,172,000] *$1,813,971,000* to be transferred to this appropriation as authorized by section 201(g) of the Social Security Act, from the Federal Hospital Insurance[,] *and* the Federal Supplementary Medical Insurance [, the Federal Catastrophic Drug Insurance, and the Federal Hospital Insurance Catastrophic Coverage Reserve] Trust Funds: *Provided,* That $100,000,000 of said trust funds shall be expended only to the extent necessary to meet unanticipated [costs] *workloads* of agencies or organizations with which agreements have been made to participate in the administration of title XVIII and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: *Provided further, That $73,000,000 of said trust funds shall be expended only to the extent necessary to meet costs not fully anticipated to be incurred in administering provisions of Public Law 101-239: Provided further, That this appropriation shall be the exclusive appropriation for administrative and evaluation costs of research and demonstration projects authorized by section 402 of the Social Security Amendments of 1967, as amended: Provided further, That none of the funds appropriated here shall be obligated for any survey, inspection, or certification activities authorized by Titles XVIII or XIX of the Social Security Act or section 353 of the Public Health Service Act: Provided further,* That all funds derived in accordance with 31 U.S.C. 9701 *from organizations established under Title XIII of the Public Health Service Act* are to be credited to this appropriation. *(Department of Health and Human Services Appropriations Act, 1990.)*

[Notwithstanding the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990, the amount available for Health Care Financing Administration Program Management shall include not to exceed $1,885,172,000 to be transferred to this appropriation as authorized by section 201(g) of the Social Security Act, from the Federal Hospital Insurance, the Federal Supplementary Medical Insurance, the Federal Catastrophic Drug Insurance, and the Federal Hospital Insurance Catastrophic Coverage Reserve Trust Funds.] *(Department of Transportation and Related Agencies Appropriations Act, 1990, legislative action required.)*

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Language Analysis

Language Provision	Explanation
For carrying out, except as otherwise provided, titles XI, XVIII, and XIX of the Social Security Act, and title XIII of the Public Health Service Act, $90,079,000 together with not to exceed $1,813,971,000 to be transferred to this appropriation as authorized by section 201(g) of the Social Security Act, from the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds.	Provides funding for the administration of Medicare (Title XVIII) and Medicaid (Title XIX), including Medicare Trust Funds transfers to pay the administrative costs of the Medicare program.
Provided, That $100,000,000 of said trust funds shall be expended only to the extent necessary to meet unanticipated workloads of agencies or organizations with which agreements have been made to participate in the administration of title XVIII and after maximum absorption of such costs within the remainder of the existing limitation has been achieved.	Reserves $100,000,000 of the appropriated Trust Fund transfer as a contingency fund, to be utilized by the Medicare Contractors budget activity in the event that workloads exceed current projections.
Provided further, That $73,000,000 of said trust funds shall be expended only to the extent necessary to meet costs not fully anticipated to be incurred in administering provisions of Public Law 101-239.	Reserves $73,000,000 of the appropriated Trust Fund transfer as a contingency fund to be utilized only to carry out provisions of the Omnibus Budget Reconcilation Act of 1989, as necessary, including Contractor Transition costs.

Provided further, That this appropriation shall be the exclusive appropriation for administrative and evaluation costs of research and demonstration projects authorized by section 402 of the Social Security Amendments of 1967, as amended.	This new provision limits the funding of research projects operated under Section 402 to this appropriation, thereby prohibiting the funding of such projects through direct apportionments of Medicare-Trust Funds.
Provided further, That none of the funds appropriated here shall be obligated for any survey, inspection, or certification activities authorized by Titles XVIII or XIX of the Social Security Act or section 353 of the Public Health Service Act.	This new provision removes obligational authority for all Medicare and Medicaid survey and certification activities from the Program Management account, relegating all such authority to the new Survey and Certification Revolving Fund account.
Provided further, That all funds derived in accordance with 31 U.S.C. 9701 from organizations established under Title XIII of the Public Health Service Act are to be credited to this appropriation.	Authorizes the crediting of HMO user fee collections to the Program Management account.
(Department of Health and Human Services Appropriations Act, 1990, legislative action required.)	Congressional action on Survey and Certification Revolving Fund legislative proposals is required in order for this suggested appropriation language to be valid.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION
Program Management

Amounts Available for Obligation

	1989 Actual 1/	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate
Appropriation..................	$82,924,000	$100,366,000	$87,853,000	$90,079,000
Offsetting collections from non-Federal Sources 2/....	287,200	283,000	283,000	248,000
Receipts and reimbursements from: Trust Funds 3/............	1,577,773,550	1,746,659,000	1,635,981,000	1,677,471,000
Unobligated balance lapsing.	(2,943,377)	--	--	--
Total Obligations..............	$1,658,041,373	$1,847,308,000	$1,724,117,000	$1,767,798,000
Contingency Fund 4/.........	91,300,000	98,672,000	98,672,000	136,500,000
Total............................	$1,749,341,373	$1,945,980,000	$1,822,789,000	$1,904,298,000

1/ For purposes of comparability, FY 1989 Actual and FY 1990 Current Estimate exclude survey and certification activities. In FY 1989, the reductions are $10,360,000 in budget authority and $83,122,000 in trust funds. In FY 1990, the reductions are $12,513,000 in budget authority and $110,678,000 in trust funds.

2/ Resources to fund the Administrative Cost activity will be offset by the collection of HMO user fees under the User Charge Statute (31 U.S.C. 9701).

3/ Includes $7,500,000 released from the contingency in FY 1989 and $36,500,000 in FY 1991.

4/ In FY 1991, the total Contingency is $173,000,000, of which $36,500,000 is displayed as outlayed.

Summary of Changes

1990 Appropriation	$1,945,980,000
1990 Current Estimate	1,822,789,000
1991 Request	1,904,298,000
Net Change	81,509,000

	1990 Current Estimate Base		Change from Base	
Increases:	FTE	OBLIGATION	FTE	OBLIGATION
A. Built-in				
1. One Additional Day				$618,000
2. Annualization of FY 1990 Pay Raise				1,561,000
3. FY 1991 Pay Raise				2,392,000
4. Rent to GSA				588,000
5. Postage				263,000
6. Inflation				794,000
7. Sequester Restoration				4,239,000
Subtotal				10,455,000
B. Program				
1. Research		32,239,000		3,761,000
2. Medicare Contractors		1,355,342,000		91,158,000
(Contingency)		(98,672,000)		37,828,000
3. Administrative Costs				
– Single Site				3,529,000
– Data Processing (HDC)				2,834,000
Subtotal				139,110,000
Total Increases				149,565,000
Decreases:				
B. Program				
1. Research		—		—
– Rural Transition Grants		17,761,000		(17,761,000)
2. Administrative Costs		—		
– PRISM		8,905,000		(1,838,000)
– FTE reductions		3,353,000	(60)	(3,457,000)
– Catastrophic transition		45,000,000		(45,000,000)
Total Decreases			(60)	(68,056,000)
Net Change			(60)	81,509,000

Budget Authority by Activity
(Dollars in Thousands)

	1989 Actual 1/		1990 Appropriation		1990 Current Estimate 1/		1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Research..................		$9,880		$12,857		$12,857		$13,000
(Obligations)............		(50,641)		(51,339)		(50,000)		(36,000)
includes Rural Transition Grants (non-add)............		*8,858*		*17,761*		*17,761*		—
2. Medicare Contractors ..		—		—		—		—
(Obligations) 2/........		(1,315,417)		(1,373,523)		(1,355,342)		(1,446,500)
3. State Certification		—		6,469		—		—
(Obligations) 3/........		—		(97,683)		—		—
4. Administrative Costs....		73,044		81,040		74,996		77,079
(Obligations) 4/........	3,545	(291,989)	4,017	(324,480)	3,637	(318,492)	3,577	(285,298)
Total budget authority...		$82,924		$100,366		$87,853		$90,079
Total obligations 3/ 4/...		(1,658,047)		(1,847,025)		(1,723,834)		(1,767,798)
Contingency (non-add)..		(91,300)		(98,672)		(98,672)		(136,500)
HMO user fees..........		287		283		283		248

1/ For comparability purposes, both FY 1989 and FY 1990 Current Estimate exclude survey and certification activities and associated administrative costs and FTEs. FY 1990 Current Estimate also reflects the transition of Catastrophic funds.

2/ In FY 1989 $7,500,000 of contingency was released and in FY 1991 $36,500,000 of contingency is shown as outlayed.

3/ For comparability purposes, State Certification excludes $67,258,000 in FY 1989 and $97,683,000 in FY 1990 Current Estimate.

4/ For comparability purposes, reductions in FY 1989 are $26,218,000 and 381 FTEs, and in FY 1990 Current Estimate are $25,508,000 and 380 FTEs. In FYs 1989 and 1991, obligations are inclusive of HMO user fees. In FY 1990, obligations exclude HMO user fees.

7.

PROGRAM MANAGEMENT
RESEARCH

Obligations by Object

	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Other Services	$18,132,000	$17,409,000	$18,720,000	1,311,000
Grants, Subsidies, & Contributions	33,207,000	32,591,000	$17,280,000	(15,311,000)
Total Obligations	$51,339,000	$50,000,000	$36,000,000	(14,000,000)

1/ Current estimate reflects the transition of Catastrophic funds.

PROGRAM MANAGEMENT
MEDICARE CONTRACTORS

Obligations by Object

	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate 2/	Increase or Decrease
Printing and Reproduction	$2,300,000	$2,300,000	$2,300,000	—
Other Services	1,371,223,000	1,353,042,000	1,444,200,000	91,158,000
Total Obligations	1,373,523,000	1,355,342,000	1,446,500,000	91,158,000
Contingency	98,672,000	98,672,000	136,500,000	37,828,000
Total Resources	$1,472,195,000	$1,454,014,000	$1,583,000,000	128,986,000

1/ Current estimate reflects the transition of Catastrophic funds.

2/ In FY 1991 $36,500,000 of contingency is shown as outlayed.

PROGRAM MANAGEMENT
STATE CERTIFICATION

Obligations by Object

	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Other Services	$97,683,000	—	—	—
Total Obligations	$97,683,000	—	—	—

1/ Excludes survey and certification activity for comparability with the creation in FY 1991 of the Survey and Certification Revolving Fund Account.

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PROGRAM MANAGEMENT
ADMINISTRATIVE COSTS

Obligations by Object

	1990 Approp.	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Total number of full-time permanent positions (on board)	3,955	3,575	3,515	(60)
Total compensable work years:				
Full-time equivalent employment	4,108	3,728	3,667	(61)
Full-time equivalent of overtime and holiday hours	23	20	20	—
Average ES salary	$67,086	$69,586	$82,589	13,003
Average GS grade	11.10	11.12	11.12	—
Average GS salary	$40,208	$42,427	$44,034	1,607
Average salary of ungraded positions	$21,611	$22,447	$23,468	1,021
Personnel compensation:				
Full-time permanent	$166,889,000	$151,102,000	$154,891,000	3,789,000
Other than full-time permanent	4,475,000	4,052,000	4,022,000	(30,000)
Other personnel compensation	3,390,000	3,032,000	2,884,000	(148,000)
Total personnel compensation	$174,754,000	$158,186,000	$161,797,000	3,611,000
Personnel benefits	23,367,000	21,157,000	21,860,000	703,000

PROGRAM MANAGEMENT
ADMINISTRATIVE COSTS

Obligations by Object

	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Travel	5,772,000	4,628,000	4,627,000	(1,000)
Transp. of Things	974,000	882,000	881,000	(1,000)
Rental Payments to GSA	15,147,000	13,714,000	14,022,000	308,000
Rental Payments to Others	617,000	559,000	768,000	209,000
Communications, Utilities & Misc.	19,656,000	17,797,000	20,358,000	2,561,000
Printing	15,655,000	12,886,000	13,885,000	999,000
Other Services	63,663,000	85,029,000	43,701,000	(41,328,000)
Supplies	2,447,000	1,846,000	2,058,000	212,000
Equipment	2,411,000	1,819,000	1,035,000	(784,000)
Insurance Claims and Indemnities	300,000	272,000	306,000	34,000
Total Obligations 2/	$324,763,000	$318,775,000	$285,298,000	(33,477,000)

1/ Current estimate reflects the transition of Catastrophic funds and the exclusion of Survey and Certification activities for comparability to the FY 1991 implementation of proposed Survey and Certification Revolving Fund account.

2/ Obligation includes HMO user fees of $283,000 in FY 1990 and $248,000 in FY 1991.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172 Medicare reimbursement to hospitals for covered services is based on previous-year's data reflecting hospital costs reported to HCFA. HCFA continuously updates the cost data provided to it by hospitals participating in the program. However, that data may be three or four years old. HCFA is undertaking new programs to gather and report hospital costs more expeditiously, with the objective of perceiving trends in hospital costs in a more timely way. Recognizing the importance of early warning about problems that some hospitals, especially rural hospitals, may be having, the Committee requests the Department provide it within one year a report on current steps being taken to speed the processing of Medicare hospital costs reporting.	HCFA anticipates delivery of this report to the Committee by July 25, 1990.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172	
The Committee expects that the agency will complete its updated estimates of health care costs on a timely basis using the latest available data, will detail costs by type of service and by type of payer, including detailed estimates of consumer payments (direct out-of-pocket costs, insurance premiums, etc.), and will submit a schedule for completion of these estimates to the Committee no later than October 1, 1989.	A schedule for completion of these estimates has been completed and was sent to the Committee on October 30, 1989.
The Committee has not included bill language requested by the Administration to permit the Catastrophic Reserve Fund to reimburse the HI Trust Fund for Hospital Insurance Catastrophic outlays. This issue is more appropriately addressed by the authorizing committees.	The Medicare Catastrophic Coverage Repeal Act of 1989 (P.L. 101-234) eliminated the HI catastrophic benefits and abolished the HI Catastrophic Coverage Reserve Fund. Thus, the transfer authority requested in FY 1990 is no longer necessary.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172	
The Committee recognizes that cooperative structures and arrangements may be particularly appropriate for improving and making more efficient the delivery of health care in rural areas. Cooperative structures play an important role in delivering electric, telephone and other services to rural and sparsely-populated areas. The Committee therefore directs the Secretary to give special attention to making grants and supporting demonstration projects that establish new cooperative models for delivery of rural care. Those activities should be undertaken by HCFA, in conjunction with the Office of Rural Health Policy, using the rural hospital transition grant program, among other mechanisms.	In FY '89 HCFA and the Office of Rural Health Policy jointly funded a 3-year grant to Texas Tech University to develop a telecommunications system between the four Texas Tech campuses and 12 rural hospitals. The system is designed to provide educational services to the rural hospitals as well as provide the capability to transmit images of clinical data such as X-rays and laboratory test results. As originally designed, if the project is successful, it could be expanded to other rural hospitals. HCFA is also administering the congressionally-mandated Rural Health Care Transition Grant program which also promotes cooperative structures and arrangements in rural areas. The HCFA grants solicitation for the Rural Health Care Transition Grants program for FY '90 will highlight the fact that grants are available to rural hospitals wishing to develop electronic and other telecommunications systems. Hospitals are scheduled to be notified of the program in February 1990 with awards by the end of the fiscal year.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172	
The Committee has increased funding for Medicare contractors above the Administration request in recognition of the increasing workloads projected for 1990, partly as a result of Medicare catastrophic coverage, and the importance of payment safeguard activities. The Committee is concerned that additional funding may be required for contractor activities in 1990 and would expect the Administration to submit a supplemental request if that should occur. The Committee has modified the bill language regarding the use of the contingency fund to make clear that it may be released for unanticipated costs.	The final appropriation was reduced to the Administration's request. The repeal of Catastrophic Health Insurance has provided more flexibility in funding. Payment safeguard funding has been restored to a level approaching the FY '89 payment safeguard baseline. Costs have been reduced to reflect the repeal of Catastrophic Health Insurance. Some expenses for the implementation of OBRA '89 have been included. Other OBRA '89 expenses will need to be funded from contingency funds.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 House Report 101-172 The Committee provides $5,000,000 for costs associated with the Health Maintenance Organization (HMO) Loan and Loan Guarantee Fund....The funds provided will be used for payment of prepayment premiums and interest subsidies currently owed to the Federal Financing Bank. The Committee has not included bill language requested by the Administration to permit the sale of this loan portfolio at a discount.	At this time, it appears appropriate that such language has not been included, as OMB is currently reconsidering its position that the portfolio be sold by the end of FY 1990. OMB has recently indicated that it will evaluate a variety of marketing options for sale of the portfolio in FY 1992.

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
The Committee has been informed of a problem affecting the ability of States and the Federal Government to protect the health, safety, welfare, and rights of residents of nursing facilities operated by multifacility owners. It appears that patterns of problems may exist in nursing homes owned by a single owner....To assist the Committee in assessing this issue, the Committee directs the Health Care Financing Administration to prepare a report by April 1, 1990, that will identify the scope of problems related to the extent to which patterns of poor practice exist among nursing facilities....This report should also discuss options for: (1) assisting States in utilizing their enforcement authority more aggressively in situations where there has been a pattern of poor practice by multifacility owners; (2) strengthening Federal regulatory activities in this area; and (3) reporting nursing home deficiencies on a State-by-State and ownership category basis.	HCFA is continuing its in-depth analysis of the issues relevant to multi-facility ownership and anticipates meeting the due date for submission of the report.

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
...the Committee directs HCFA to prepare a comprehensive agencywide inventory of its information resources expenditures for FY 1990. This inventory should include Medicaid, Medicare, and headquarters systems operations costs and be based on all aspects of its mission, including funds provided for State and contractor-related expenditures. ...the Committee believes that HCFA should prepare a comprehensive information resources plan that details HCFA's anticipated automatic data processing needs and requirements. This plan should include information on: (1) alternatives for meeting these requirements; and (2) the interrelationships of its major systems. The inventory requested above and HCFA's timetable for developing a comprehensive information resources management plan should be submitted to the Committee by February 1, 1990.	These requirements have recently been completed and are currently in the clearance process. HCFA anticipates a timely response to the Committee.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
The Committee recommendation includes sufficient funding for a study comparing the fiscal impact of direct billing practices and nondirect billing practices, as it pertains to laboratory services. The Committee expects the study to compare data from an appropriate number of direct billing States, as well as analyze other socioeconomic issues relevant to the needs of this study.	Funding was not provided to initiate this study.

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Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
Public Law 100-203 (the Omnibus Budget Reconciliation Act of 1987), section 4904(a) states that each Professional Review Organization "...shall take into account the special problems associated with delivering care in remote rural areas, the availability of service alternatives to inpatient hospitalization, and other appropriate factors (such as the distance from a patient's residence to the sites of care, and the patient's ability to carry out necessary or prescribed self-care regimens) that could adversely affect the safety or effectiveness of treatment provided on an outpatient basis." The Committee is concerned that the Health Care Financing Administration has not implemented this section, although it has been in effect since December 22, 1987. Rural hospitals are experiencing denial of claims because HCFA has not issued guidelines to the PRO's to carry out the law. The Committee directs the Health Care Financing Administration to report to the Committee within 45 days outlining a timetable for implementation of this section of OBRA.	HCFA believes it has implemented the social norms provision. In 1985, well before the OBRA legislation was signed by the President, HCFA issued to all PROs a policy about the application of nonmedical factors in making review determinations. The policy stated: "Factors which may result in an inconvenience to a patient or family do not, of themselves, justify hospital admission or continued stay. Where such factors, however, affect the patient's health, the PRO will consider them in determining whether inpatient hospitalization is appropriate." Recently, we have become aware of isolated instances (e.g., some rural hospitals and groups) where we have been criticized for not implementing the OBRA provision. Even though we believe that the spirit of the legislation was already implemented, HCFA has decided to issue a General Notice in the Federal Register. This notice will outline various policy options and will seek broad public input to determine if further rulemaking would be appropriate.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
The Committee notes that in recent years Medicare expenditures have increased significantly. The Committee is concerned that a significant portion of this increase can be attributed to wasteful and abusive practices and that the Administration has nonetheless proposed a sizable reduction of over $133,000,000 in Medicare contractors' fiscal year 1990 budgets for payment safeguard activities.	Payment safeguard funding has been restored to a level approaching the FY '89 payment safeguard baseline.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
The Committee urges HCFA to fund a research and demonstration project to evaluate training of primary care residents providing care for indigent patients under a capitated program through a Medicaid State waiver with a preponderance of minority patients.	The Senate Committee mark for the FY '90 Research and Demonstration budget was $37 million. However, Conference Committee appropriation was at $34 million and subsequent reductions due to sequestration have resulted in a final budget of $32.239 million--nearly $5 million less than the Senate recommendation. With the enactment of OBRA '89, HCFA is now reviewing the impact of the mandated research and demonstration projects on the FY '90 budget. After consideration of these budget impacts, if HCFA has sufficient funds, and determines that there are States interested in implementing this demonstration, HCFA will solicit for a demonstration. It is possible a demonstration award could not be made until FY '91 because of the lead time needed to develop a new grants/cooperative agreement solicitation.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
FY 1990 Senate Report 101-127	
The Committee urges HCFA to utilize a portion of the increase provided for beneficiary communications activities to establish a Medicare assistance demonstrations program in Social Security field offices in four States. Approximately 50 Medicare coordinators, who would be Social Security employees for which the HCFA would provide technical training, would have the following responsibilities: assist beneficiaries in filing Medicare benefit reimbursement claims and appeals; train staff and volunteers at various senior organizations to assist in filing claims and appeals; provide public information outreach including radio and TV shows related to Medicare entitlement; and identify and recommend changes to eliminate Medicare bureaucratic obstacles and streamline the Medicare claims and appeal process.	HCFA has already implemented a Medicare Coordinator project in all 50 States. For the past three years HCFA has worked with the appropriate SSA field operations staff in the development and execution of a training program for Medicare Coordinators in virtually all SSA district offices. In most regions, HCFA Regional Office personnel participated in the training of the Medicare Coordinators.

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to Be Taken
The Committee has not included bill language proposed by the Administration indicating that the HI and SMI Trust Funds should not be used to support catastrophic coverage costs. This language would merely reinforce what is already clear in authorizing statute.	HCFA advanced this language in an effort to maintain the integrity of the self-financing aspects of the catastrophic health insurance program. However, the Medicare Catastrophic Coverage Repeal Act of 1989 (P.L. 101-234) eliminated the HI and SMI catastrophic health insurance programs and the need for this language.

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991Budget Request
Program Management:				
1. Research:				
a) Social Security Act, Title XI,				
– Section 1110...........	Indefinite	$10,657,000	Indefinite	$10,800,000
– Section 1115 1/........	$2,200,000	$2,200,000	$2,200,000	$2,200,000
b) P.L. 92–603, Section 222.............	Indefinite	—	Indefinite	—
2. Medicare Contractors: Social Security Act, Sections 1816 & 1842....	Indefinite	—	Indefinite	—
3. State Certification: Social Security Act, Title XVIII, Section 1864; Reorganization Act of 1953 2/...........	Indefinite	—	Indefinite	—
4. Administrative Costs Reorganization Act of 1953 3/.................	Indefinite	$74,996,000	Indefinite	$77,079,000
Total appropriation..........		$87,853,000		$90,079,000
Total appropriation against definite authority..		$2,200,000		$2,200,000

1/ The total authorization for Section 1115 is $4,000,000. HCFA's portion of this amount is $2,200,000.

2/ For comparability purposes, budget authority for State Certification activities is displayed in the Survey and Certification Revolving Fund account.

3/ For comparability purposes, survey and certification activities ($6,044,000) in Administrative Costs is displayed in the Survey and Certification Revolving Fund account.

Table of Estimates and Appropriations

Year	Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1982	$107,704,000	$89,535,000	--	$78,035,000
Trust Fund Transfer	861,007,000	884,909,000	--	872,000,000
1983	89,405,000	92,905,000	--	94,559,000
Trust Fund Transfer	855,571,000	924,671,000	--	1,007,871,000
1984	83,038,000	84,600,000	96,658,000	90,200,000
Trust Fund Transfer	1,027,091,000	1,057,246,000	1,070,022,000	1,070,737,000
Supplemental	4,000,000			
1985	96,247,000	96,247,000	96,781,000	98,147,000
Trust Fund Transfer	1,129,488,000	1,129,488,000	1,129,779,000	1,130,708,000
1986	96,247,000	88,185,000	95,533,000	89,533,000
Trust Fund Transfer	1,113,961,000	1,183,108,000	1,197,885,000	1,299,785,000 1/
Sequester	(54,433,000)			
Proposed Recission	(9,401,000)			
1987	84,533,000	84,533,000	85,396,000	85,396,000
Trust Fund Transfer	1,128,477,000	1,306,494,000	1,276,170,000	1,273,520,000 1/
Supplemental	10,000,000			
1988	105,750,000	102,580,000	102,580,000	98,211,000
Trust Fund Transfer	1,397,580	1,446,578,000	1,396,628,000	1,368,825,000 1/
1989	95,246,000	93,817,000	94,417,000	93,284,000
Trust Fund Transfer	1,775,556,000	1,769,919,000	1,835,519,000	1,803,317,000
Reduction			(1,133)	
1990	102,908,000	101,908,000	102,908,000	101,722,000
Trust Fund Transfer	1,901,172,000	1,992,159,000	1,921,172,000	1,870,172,000
Sequester				(26,197,000)
1991	90,079,000			
Trust Fund Transfer	1,813,971,000			

1/ Includes $105,000,000 provided through P.L. 99-272 for payment safeguard activities, of which $4,473,000 was deferred by the FY 1988 Continuing Resolution.

Justification

Program Management

	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Research........................	$12,857,000	$12,857,000	$13,000,000	$143,000
(Obligations).................	(51,339,000)	(50,000,000)	(36,000,000)	(14,000,000)
Medicare contractors				
(Obligations) 2/..............	(1,373,523,000)	(1,355,342,000)	(1,446,500,000)	91,158,000
State certification............	6,469,000	—	—	—
(Obligations)..................	(97,683,000)	—	—	—
Administrative Costs.........	81,040,000	74,996,000	77,079,000	2,083,000
(Obligations) 3/..............	(324,480,000)	(318,492,000)	(285,298,000)	(33,194,000)
Total Budget Authority.....	$100,366,000	$87,853,000	$90,079,000	$2,226,000
(Total Obligations)..........	(1,847,025,000)	(1,723,834,000)	(1,767,798,000)	43,964,000

1/ Current Estimate reflects the transition of Catastrophic funds and the exclusion of Survey and Certification activities for comparability.

2/ In FY 1990 excludes $98,672,000 of contingency fund. In FY 1991 excludes $136,500,000 of contingency fund.

3/ For purposes of comparability, excludes $25,508,000 associated with survey and certification activities. In FY 1990, obligation levels exclude HMO user fee collections of $283,000. In FY 1991, $248,000 in user fees are included in obligational authority.

GENERAL STATEMENT

The Health Care Financing Administration (HCFA) was established in 1977 to bring together under one agency the management of two major Federal health care financing programs, Medicare and Medicaid. HCFA's mission is to administer these programs in a manner which promotes the effective and efficient delivery of health care services that meet professionally recognized standards of quality. The following activities funded under the Program Management account are integral to the accomplishment of this mission:

- Research, Demonstration and Evaluation projects designed to improve the organization, delivery, quality, and financing of health care services;
- Medicare contractors which process Medicare claims, conduct payment safeguard activities and provide information to beneficiaries and providers on reimbursement, coverage and eligibility, and other program requirements; and
- Administrative Costs which include personnel and other operating costs of the agency.

In FY 1991, it is proposed that HCFA will transfer the Medicare State Certification activities to a new account entitled the Survey and Certification Revolving Fund. The Revolving Fund will bring together HCFA's various health facility inspection programs (Clinical Laboratory Inspections as well as Medicare and Medicaid Survey and Certification activities) and their respective administrative costs, and finance these programs through the collection of user fees. The Revolving Fund and its financing is more thoroughly discussed under the tab entitled Survey and Certification Revolving Fund.

PROGRAM ACCOMPLISHMENTS

HCFA has been containing the rise in health care costs while assuring quality of care for program beneficiaries. Examples of recent program accomplishments are provided below.

- During FY 1989, HCFA published the first nursing home information release that provides a wide range of information about nursing homes. In addition to information about resident characteristics and facility performance at the time of the nursing home's last survey, it includes information about the Federal survey process, State licensure and ombudsman programs, and a special section about where to get more information and what questions to ask in selecting a nursing home. Consumers and others use this information as a basis for further inquiry. HCFA plans to release this type of information annually.

- HCFA conducted 1,287 validation and look-behind surveys and 53 State Agency Evaluation Program reviews. It also analyzed the results of 20,600 Medicare initial and recertification surveys and 12,300 Medicaid initial and recertification surveys.

- During FY 1989, payment safeguard activities on the part of Medicare contractors saved the trust funds approximately $4.0 billion. This amount represents savings achieved in the following areas:

Payment Safeguards	($ in Millions) FY 1989 Savings
Audits	$ 820.0
Medical/Utilization Review	960.1
Medicare Secondary Payer	2,181.2
Total Payment Safeguards	$ 3,961.3

- HCFA has been conducting research projects in a number of areas, e.g., access to quality of care, refinement and reform of the current Medicare physician payment system, and refinement of the Prospective Payment System (PPS) for hospitals. Examples include:

  - Research on overpriced payments for physician services, which led to changes in the Omnibus Budget Reconciliation Act of 1987, that are expected to result in savings to the Medicare program of $100 million annually.

- Research on payment levels for clinical laboratory services leading to projected annual program savings of $50 million.

- Research which resulted in the development of interim geographic practice cost indices for physician services, which can be used to more closely align payment levels with physician practice costs levels in each locality.

- Research on the impact of the Medicare PPS which has shown that the system has not had a detrimental impact on quality of care. This research has also led to the sponsoring of research on patient classification (case-mix and severity) systems.

- Research on capital payments (including excess capacity and construction costs).

- Development of alternative severity adjustment systems, as both refinements to PPS and measures of quality of care.

- Development of outpatient surgery payment rates.

- Evaluation of rural health care systems, the underlying factors causing rural hospital closures, and the impact of such closures on access to care.

- Refinement of the current payment methodology for services provided in health maintenance organizations to make payments more sensitive to the health status and expected costs of Medicare enrolles.

- Development of data base to evaluate the quality of services rendered to Medicare and Medicaid beneficiaries.

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1. RESEARCH, DEMONSTRATIONS, AND EVALUATION

Authorizing Legislation - Social Security Act, Sections 222, 1110, 1115, 1121(b)(2), 1875 and 1881(a); Social Security Amendments of 1967, Section 402; Rural Health Clinic Act, Section 3.

	FY 1990 Approp.	FY 1990 Curr. Est.	FY 1991 Est.	Increase or Dec.(+/-)
Research	$33,578,000	$32,239,000	$36,000,000	+$3,761,000
Rural Health Care Transition Grants	17,761,000	17,761,000	--	-17,761,000
Total Obligations	51,339,000	50,000,000	36,000,000	-14,000,000
Less Trust Fund Transfer	-38,482,000	-37,143,000	-23,000,000	-14,143,000
Total Budget Auth.	$ 12,857,000	$ 12,857,000	$ 13,000,000	+ $ 143,000

Research Goals

The proposed budget reflects the primary research, demonstration, and evaluation goals of HCFA and the Administration:

1. Continued access to quality care under Medicare and Medicaid, and improved methods for measuring quality of care;

2. Refinement and reform of the current payment systems for physician services and outpatient care under Medicare, placing particular emphasis on the implementation and refinement of the Medicare physician payment methodology established under P.L. 101-239, the study of the causes for the growth in Medicare outlays for physician services, the development of cost-effective approaches to controlling such growth, and the development of a prospective payment system for outpatient care;

3. Increased competition and consumer choice, and continued study of various capitated payment systems;

4. Continued improvement of the current Medicare hospital prospective payment system (PPS), including the development of specific refinements in adjustments for severity and case-mix and capital payment policy, as well as the study of the impact

of PPS on specific segments of the health care system (e.g., rural health);

5. Development of data and information to better understand the impact and trends in specific areas impacting the growth in Medicare and Medicaid expenditures, including clinical laboratory services and durable medical equipment, and acquired immunodeficiency syndrome (AIDS);

6. Further research in the areas of health care prevention and access, focusing particular attention on maternal and child health and preventive care as areas of potential improvements in the cost-effectiveness of care; and

7. Further research in the areas of long-term care, subacute care and utilization of services.

In addressing each of these goals, HCFA will continue to focus attention on financing, delivery, and access issues related to rural health care. HCFA remains committed to ensuring access to quality health care by program beneficiaries in rural areas, and will be conducting studies to better understand and address the programmatic issues affecting the care furnished to these beneficiaries.

The budget also reflects the continuation of a large number of Congressionally-mandated research, demonstration, and evaluation projects. Estimates at this time are that during FY 1991, HCFA will spend $22.2 million for Congressionally-mandated projects (including $6 million from the program benefit apportionment for the influenza vaccine demonstration).

PURPOSE AND METHOD OF OPERATIONS

HCFA's research, demonstration and evaluation (RD&E) activities provide knowledge to enable the Administrator, the Secretary, the Office of Management and Budget, the Congress and other interested parties to make informed and rational decisions regarding HCFA program, policy, and budget matters affecting the Medicare and Medicaid programs.

Medicare and Federal Medicaid expenditures, as a percent of total national health care expenditures, have increased from 15 percent in 1967 to a projected 24 percent in 1991 ($170.5 billion). Over the next 10 years, Medicare expenditures under Parts A and B are expected to experience a 150 percent increase over current levels; given current rates of growth, Medicare spending will surpass Social Security benefit payments within the next 25 years. HCFA, as the leading purchaser of health care in the United States, is charged with finding ways to control the spiraling trend of such costs while ensuring that every dollar is used effectively in providing quality health care services to HCFA beneficiaries.

The efforts of the RD&E program have resulted in significant changes in the administration of HCFA programs, and have impacted substantially on program outlays and the structure of the health care financing system. Examples include:

- Work done with Yale University and the State of New Jersey on a Hospital PPS based on diagnosis-related groups (DRGs).
- Research done on Medicare skilled nursing facility payment limits, and research findings utilized as the basis for the Institute of Medicine recommendations on conditions of participation for nursing homes.
- Assistance provided to States in the development of case-mix payment methods for nursing homes.
- Research on overpriced payments for physician services, which led to provisions in the Omnibus Budget Reconciliation Act of 1987, that are expected to result in savings to the Medicare program of $100 million annually.
- Research on payment levels for clinical laboratory services leading to projected annual program savings of $50 million.
- Research which resulted in the development of interim geographic practice cost indices for physician services, which can be used to more closely align payment levels with physician practice cost levels in each locality.
- Research on rates of decrease in lengths of stay for Medicare inpatient surgical cases, which may be used as a basis for adjusting Medicare payments for inpatient surgery global fees.
- Research on rates of return resulting from current Medicare payment levels for the technical component of some diagnostic tests, which may be used as a basis for adjusting payment levels for these tests.
- Research on the impact of the Medicare PPS which has shown that the system has not had a detrimental impact on quality of care. This research has also led to the sponsoring of research on patient classification (case-mix and severity) systems.
- Research on high-volume and high-cost procedures in the Medicaid population, which can be used to guide the selection of procedures for second surgical opinion programs under Medicaid.
- Research on underlying factors of change in hospital inpatient case mix under PPS, which are used in determining the annual PPS update.

- Demonstrations in New York and Texas which resulted in both States successfully implementing case-mix adjusted payment systems for all Medicaid nursing home patients. These States are also the pilots for a multi-State demonstration that, in addition to developing and implementing case-mix payment systems for both Medicare and Medicaid nursing home patients, will use payment-related patient information as triggers for quality assurance reviews.

- Research based on the South Carolina Community Long-Term Care Demonstration, which found significant reductions in nursing home usage under a preadmission screening system, and supported the adoption of preadmission screening approaches as part of community-based services programs in more than 30 States.

- Evaluations of the Medicare and Medicaid competition demonstrations which examined the quality of care received under capitated delivery systems in comparison to fee-for-service systems, and found that quality of care under both systems was comparable.

- Demonstrations of alternative prospective payment systems in New York State for inpatient hospital expenditures which resulted in $525 million savings under Medicare.

- Conduct of the Arizona Health Care Cost Containment System demonstration, an innovative capitated delivery system, which showed that the payment system achieved savings of 5.8 percent over a traditional fee-for-service Medicaid program.

- Research which aided in refinement of PPS outlier payment policy.

Within the last several years, HCFA has initiated a sweeping program of major initiatives designed to focus even greater efforts on program areas experiencing major expenditure growth. Major recent efforts which are expected to provide important findings for shaping future policy decisions and achieving additional savings include the following:

- examination of potentially overpriced procedures (consultations, cataract surgery, etc.);

- development of a resource-based relative value schedule as a possible basis for reform of the Medicare physician payment system;

- research on capital payments (including excess capacity and construction costs);

- development of alternative severity adjustment systems, as both refinements to PPS and measures of quality of care;

- development of outpatient surgery payment rates;
- demonstration of service delivery approaches for Alzheimer's disease patients;
- evaluation of rural health care systems, the underlying factors causing rural hospital closures, and the impact of such closures on access to care;
- refinement of the current payment methodology for services provided in health maintenance organizations (HMOs) to make payments more sensitive to the health status and expected costs of Medicare enrollees; and
- development of data bases to evaluate the quality of services rendered to Medicare and Medicaid beneficiaries.

Funding levels for the last five fiscal years were as follows:

	Appropriation	Rural Health Care Transition Grants
1986......	$ 29,332,000	$ --
1987......	$ 28,000,000	$ --
1988......	$ 28,807,000	$ --
1989......	$ 41,640,000	$ 8,892,000
1990......	$ 32,239,000	$17,761,000

RATIONALE FOR THE BUDGET REQUEST

The FY 1991 request for funding of HCFA's RD&E activities is $36,000,000. The budget provides $34,000,000 for continuation of RD&E activities, and $2,000,000 for start-up of new projects that support Congressional mandates and HCFA's and the Department's priority initiatives. The large percentage targeted for continuation of existing programs reflects the major efforts initiated in FY 1989 and FY 1990 to undertake projects which will provide valuable information for refinement and reform of the physician payment system under Medicare. Many of these initiatives were undertaken late in FY 1989, with funding carrying them into FY 1991. In addition, because of limited available funds for new initiatives in FY 1990, projects are being funded at lesser amounts in FY 1990 with increased continuation costs in FY 1991.

To effectively support Congressional and Administration decision-making, HCFA's priority areas for the RD&E program in FY 1991 are as follows:

1. Further Study to Develop and Refine Measures of the Quality of Care received by program beneficiaries. HCFA will be continuing its efforts directed toward measuring the quality of care provided to beneficiaries and ensuring that quality health care remains accessible to beneficiaries, particularly as the nature of the payment system changes. HCFA will place major emphasis on studies designed to develop ways to measure patient outcomes in a variety of treatment settings and under different payment systems.

2. Refinement and Reform of Current Physician and Ambulatory Care Payment Systems. HCFA will be placing increased emphasis on efforts to implement and refine the new Medicare physician payment system mandated under P.L. 101-239. HCFA will be continuing current efforts (including the development of data bases and models) to better understand the causes for the growth in Medicare outlays for physician services; to identify opportunities for more efficient payment policies; and to develop cost-effective approaches to controlling the growth in expenditures for physician services, including its study of the physician preferred provider organization concept as a cost-effective alternative payment/delivery system. HCFA will also be continuing its efforts to develop prospective payment methodologies for outpatient surgical and non-surgical services.

3. Increased Competition and Consumer Choice and Continued Study of Various Capitated Payment Systems. HCFA will continue to examine alternative capitated payment methods for services that will increase competition in the health care marketplace, while ensuring continued quality of care. HCFA will be continuing its evaluation of the growth of HMOs and competitive medical plans (CMPs) under the current capitation system, and pursuing demonstration projects to test different capitation systems. HCFA will also be continuing its study of the advisability of further adjustments to the current Adjusted Average Per Capita Cost (AAPCC) methodology and alternatives to this methodology.

4. Refinement of the Medicare Hospital Payment Methodology. HCFA will be continuing its efforts to refine the current Medicare hospital PPS, particularly in the development of adjustments for case-mix and severity, and in the development of appropriate capital and outlier payment policies. HCFA will also be continuing its assessment of the impact of the Medicare hospital PPS on varied segments of the health care delivery and financing system, especially on beneficiary access to quality care.

5. Development of Data and Information for Program Efficiencies, Analyses, and Refinements. HCFA will be continuing its efforts to better understand the impact and trends in specific areas impacting the growth in Medicare and Medicaid expenditures. Areas of focus include the following: clinical laboratory services and durable medical equipment; and acquired immunodeficiency syndrome (AIDS).

6. Further Research in the Areas of Health Care Prevention and Access. HCFA will continue its efforts in examining the cost-effectiveness of preventive care, and will be

focusing on maternal and child health in studying potential improvements in the provision of medically-necessary and cost-effective care.

7. Further Research in the Areas of Subacute and Long-Term Care. HCFA will continue to examine potential approaches to promoting quality and access to both traditional and community-based long-term care, and refining the current payment/delivery systems under Medicare and Medicaid.

As part of the efforts in each of these seven program areas, HCFA will continue to focus attention on financing, delivery, and access issues related to rural health care. HCFA remains committed to ensuring access to quality health care by program beneficiaries in rural areas, and will be conducting studies to better understand and address the programmatic issues affecting the care furnished to these beneficiaries.

Funding levels for these seven areas for FYs 1989, 1990, and 1991 are reflected in the following chart.

	Program Areas	FY 1989 Budget[1]	FY 1990 Current Estimate[2]	FY 1991 Estimate
1.	Quality of Care	$8,117,042	$7,572,987	$6,912,403
	a.New	3,488,353	1,800,000	0
	b.Continuations	4,628,689	5,772,987	6,912,403
2.	Physician and Ambulatory Care Payment Systems	7,726,591	5,959,997	5,919,000
	a.New	2,455,635	950,000	0
	b.Continuations	5,270,956	5,009,997	5,919,000
3.	Capitated Payment Systems	4,499,109	5,150,000	5,097,739
	a.New	1,593,688	500,000	1,450,000
	b.Continuations	2,905,421	4,650,000	3,647,739
4.	Hospital Payment[3]	11,572,676	20,120,016	3,283,000
	a.New	9,892,000	9,771,000	0
	b.Continuations	1,680,676	10,349,016	3,283,000
5.	Program Efficiencies, Analyses, & Refinements	6,289,491	3,465,000	4,437,858
	a.New	4,091,853	1,400,000	50,000
	b.Continuations	2,197,638	2,065,000	4,387,858
6.	Health Care Prevention and Access	2,031,796	3,682,000	3,450,000
	a.New	1,286,796	900,000	0
	b.Continuations	745,000	2,782,000	3,450,000
7.	Subacute and Long-Term Care	10,295,295	4,050,000	6,900,000
	a.New	7,791,993	1,400,000	500,000
	b.Continuations	2,503,302	2,650,000	6,400,000
TOTALS:				
	New	30,600,318	16,721,000	2,000,000
	Continuations	19,931,682	33,279,000	34,000,000
	Total Program	50,532,000	50,000,000	36,000,000

1/ FY 1989 funding includes $12 million for Catastrophic studies.

2/ Current estimates of FY 1990 funding by priority area and new/continuations have been updated to reflect current expectations of actual awards from solicitations in FY 1989 and awards for addressing studies mandated in OBRA 1989.

3/ Rural Health Care Transition Grants Program included in FY 1989 ($8,892,000) and FY 1990 ($17,761,000) only.

QUALITY OF CARE

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$1,800,000	$ --
Continuations	5,772,987	6,912,403
Total	$7,572,987	$6,912,403

GOAL: HCFA is committed to ensuring that program beneficiaries have access to quality health care. Towards this goal, efforts will continue to be focused on initiatives designed to improve the ability to accurately measure the quality of such care.

STRATEGY: In order to strengthen an assessment of the impact of program payment changes on the quality of care provided to program beneficiaries, HCFA will continue to be focusing its efforts in the following areas: development and use of reliable and valid outcome measures to assess processes of care, enhancement of current data sets for use in assessing quality of care and outcomes, and development of quality of care measures and monitoring systems for other than inpatient care.

1. Alternative Outcome Measures and Their Use. Little advancement has been made in the development of additional measures of patient outcomes that can be used in quality of care studies. Most studies currently use mortality or rehospitalization rates. Research is needed to develop reliable and valid measures of patient outcome that are more sensitive to variations in the quality of care. HCFA will continue to examine the relationships between the processes of medical care and the resultant outcomes of care.

2. Data Enhancement. HCFA has used a variety of administrative data for quality of care research and demonstrations. However, administrative data are limited with regard to beneficiary health and socio-demographic characteristics. Other data sets, supported by private and public initiatives, may have the potential, at low cost, to enhance HCFA's data bases, especially if they can be linked to administrative data. HCFA will be continuing to examine opportunities for enhancing currently available data systems for quality of care research using linked administrative data sets.

3. Research Impact Studies. HCFA plans to continue studies examining a number of specific issues in this area:

   o the extent to which beneficiary access to hospital care may have changed as a result of PPS, particularly whether there has been a differential impact on access in rural versus urban inner city area hospitals;

- the reasons for variation across hospitals in such quality of care outcome measures as mortality and rehospitalization;
- how changes in medical practice patterns (e.g., the surgical procedures being done in an outpatient setting, placement of terminal patients out of the hospital into long-term care facilities and home settings) may impact on the provision and assessment of care in the hospital; and
- the levels of need for post-hospital care (aftercare), the extent to which these needs are being met, and the sources providing post-discharge services (home health agencies, skilled nursing and intermediate care facilities, physicians, outpatient departments, and informal care networks).

4. Quality Issues in Long-Term Care, Physician Care, and the Medicaid Program. HCFA plans to continue projects designed to develop, demonstrate, and evaluate quality of care outcome measures and monitoring systems for nursing homes, home health agencies, and physician services.

   HCFA will be continuing the Congressionally-mandated study of the appropriateness, necessity and effectiveness of treatments and procedures received by Medicaid beneficiaries (section 9432 of OBRA 1986).

5. ESRD Quality of Care Studies. HCFA will be examining access to treatment and quality of care provided to the ESRD population as required under section 4036(d) of OBRA 1987.

PHYSICIAN AND AMBULATORY CARE PAYMENT SYSTEMS

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$ 950,000	$ --
Continuations	5,009,997	5,919,000
Total	$5,959,997	$5,919,000

GOAL: Between FY 1975 and FY 1988, Medicare spending for physician services per beneficiary increased at a compound annual rate of 15 percent, almost twice the comparable figure for per capita gross national product and almost four times as much as

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the per capita increase in Federal domestic spending. In FY 1991, expenditures for physician services are expected to be $36.3 billion. HCFA is committed to ensuring that its payment policies are effective in providing necessary care at appropriate payment levels. Towards this goal, HCFA will be focusing its efforts on implementing/refining the new payment system established under P.L. 101-239, better understanding the causes for the growth in Medicare outlays for physician services; identifying opportunities for more efficient payment policies; and developing cost-effective approaches to controlling the growth in expenditures for physician services.

STRATEGY: HCFA will be conducting studies and demonstrations to identify, explain, develop, and test effective refinements to the current physician payment system and alternative payment approaches to this system. There are six specific objectives that crosscut these planned efforts: (1) disaggregation of the causes and forces driving expenditure increases for physician services into their component parts; (2) development of data bases and models which will allow a better understanding of alternatives to the current Medicare physician payment system; (3) identification and quantification of the behavioral responses of physicians to changes in payment levels, methods, requirements, or volume controls which are intended to constrain program expenditures or patient out-of-pocket costs; (4) development and refinement of new conceptual groupings of physician procedures and services that might serve as a practical basis for determination of payments for physician care; (5) examination of specific private sector approaches for controlling the volume and intensity of physician services and the potential applicability of such approaches by Medicare and Medicaid; and (6) better understanding the causes for, and Medicare payment implications arising from large and small area variations in physician practice patterns.

In addition, section 6102 of the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) mandated a number of specific reforms to the current Medicare physician payment system, as well as requiring the conduct of a number of specific studies in this area. We will be conducting research in response to the mandated studies, as well as in support of the establishment and refinement of the new payment methodology. We will be continuing a major effort to monitor the changes in utilization and access to services as a result of implementation of the new methodology.

HCFA will also be continuing its efforts to develop prospective payment methods for surgical and medical services provided on an outpatient basis.

Physician Payment Initiatives. In recognition of the increasing demand to respond quickly to needs for information on a variety of physician payment refinement issues, HCFA awarded in FY 1989 a series of contracts to organizations with expertise in conducting physician payment studies. This expanded capability in the physician payment area will permit HCFA to more effectively respond to the needs of the

Congress and the Administration for information and data on relevant issues. While the specific issues to be examined under these contracts, and through other award mechanisms, will continue to evolve, the general areas of focus include the following:

1. Physician Utilization and Intensity Issues

   - o Analysis of Physician Costs Related to Changes in Volume and Intensity of Services.

   - o Develop Methods to Improve Physician Utilization Review Screens.

   - o Effect of Payment Method on Physician Services.

2. Physician Pricing Issues

   - o Alternative Payment Approaches. Examine the feasibility of developing and implementing alternative payment methods to control growth in program expenditures for physician services. HCFA will continue to examine innovative payment approaches that will provide incentives for prudent, cost-effective delivery and utilization of physician and other ambulatory care services. One model being studied is Preferred Provider Organizations. HCFA plans to continue a series of projects initiated in FY 1989 that study and test the cost-effectiveness and feasibility of the preferred provider concept in a fee-for-service setting for physician services provided to Medicare beneficiaries. The prime objectives of the projects are to maintain quality and access to care, as well as to generate Medicare savings.

   - o Analysis of Overpriced Procedures. HCFA will continue to examine Medicare's payment policies for specific procedures to determine if these policies result in excessive levels of payment. This would build on the work previously done on cataract surgeries and expand the study to other procedures, such as diagnostic test interpretations and visits, the technical components of diagnostic tests, anesthesia services, and consultations.

     The physician cost of practice index will continue to be refined in order to standardize physician payments to reduce overpriced procedures.

   - o Evaluation of the Impact of Physician Payment Reforms on Access and Quality. Since 1984, Congress has enacted legislation reforming the payment structure for physician services; e.g., the physician fee freeze, the participation program, overpriced ophthalmology procedures, surgical assistants, and reductions in anesthesia payments. The new payment system mandated under section 6102 of P.L. 101-239 represents a major change in the methodology for paying for physician services under Medicare. HCFA plans on analyzing the effect that Congressional action has had on beneficiary access to and the quality of physician services. HCFA also plans on examining how price, payment, service volume, and beneficiary liability distributions differ among beneficiaries having similar illnesses, and whether any categories of beneficiaries (for example, type of illness, geographic area, and rural/urban inner city location) have been significantly affected by any of the recent legislative changes.

- Redistributive Impact of Refinements to Current Physician Payment Methods. HCFA plans to continue studying the redistributive impact of refinements to current physician payment methods on beneficiaries and their out-of-pocket costs; physicians and their practice revenues; and participation and assignment rates by geographic areas (carriers, States, localities, within localities), specialty, site of service, type of services, etc.

3. Outpatient Care.

- HCFA plans to continue a number of efforts underway to better understand the factors leading to the rapid growth in hospital outpatient costs and to address this growth through changes in the current payment methodology.

HCFA also plans to continue studying methods that will facilitate the development of prospective payment systems for hospital outpatient services. Among the issues that are being addressed are: refinement and application of existing patient classification systems; the possibility of applying payment limits; bundling of services for payment; identification of justifiable cost differences between hospitals and across all ambulatory care settings and geographic areas (rural and urban inner city areas) for similar care; and innovative payment methodologies.

CAPITATED PAYMENT SYSTEMS

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$ 500,000	$1,450,000
Continuations	4,650,000	3,647,739
Total	$5,150,000	$5,097,739

GOAL: HCFA fully supports providing beneficiaries the opportunity to select capitated payment systems as an alternative to fee-for-service systems. Toward this goal, HCFA will continue to promote expanded opportunities for beneficiary choice by moving towards payment systems based on capitation and competition in the marketplace.

STRATEGY: HCFA believes that the continued growth of opportunities for expanded beneficiary choice can best be accomplished through two mechanisms:

- Promoting growth of HMOs and CMPs under the current capitation structure. By refining the AAPCC to more accurately reflect the costs of treating a Medicare enrollee and by lowering the barriers to entry into capitated systems, the incentive for growth in HMOs and CMPs should dramatically increase.

- Pursuing demonstration projects to test different payment systems. HCFA is supporting research and demonstration projects that develop and test payment systems that provide incentives to Medicare and Medicaid beneficiaries to be informed purchasers of health care plans and services, including payment systems based on capitation and competition in the marketplace and consumer information projects that support such systems.

1. Refinements and Alternatives to the AAPCC Cost Formula. Medicare reimbursement to HMOs and CMPs is based on the AAPCC formula. The current formula uses age, sex, welfare status, and institutional status as factors to predict the per capita amount that would be payable if Medicare services for HMO members were furnished in the local fee-for-service market.

   HCFA will study potential adjustments to the AAPCC to assess their potential for implementation. HCFA also plans to encourage the examination of alternatives to the AAPCC.

2. HMO/CMP Evaluation and Private Sector Analyses. HCFA plans to continue the program evaluation of TEFRA HMOs/CMPs, which examines several issues of interest, including biased selection, quality of care, market entry, disenrollment, and AAPCC accuracy. Similarly, HCFA plans to examine the experience of private sector HMOs to better understand such issues as financial performance, market entry/exit, and premium/benefit changes.

HOSPITAL PAYMENT

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$9,771,000	$ --
Continuations	10,349,016	3,283,000
Total	$20,120,016	$3,283,000

GOAL: While the Medicare PPS has resulted in a number of positive changes in the behavior of hospitals, the complex nature of the payment program, factored with the changing role of the hospital as a more competitive provider in the health care marketplace, brings about the need to consider refinements to the payment system. Toward this goal, HCFA will continue to support studies designed to examine potential refinements to the system and the impact of the system on beneficiaries, classes of providers, etc.

STRATEGY: HCFA will be coordinating a major intramural effort with extramural projects in order to continue to assess impacts and to develop these refinements. Research will be conducted to determine refinements to current policies governing capital, medical education, and excluded hospitals.

1. Financial Impact of the Prospective Payment System and Other Payor Systems on Hospitals. HCFA will continue to analyze the financial status of hospitals prior to and during PPS. The analyses will address the impact of the Medicare PPS on different types of hospitals and in different geographic areas. HCFA also plans on studying the impact of PPS on hospital revenues and resultant cost-shifting dynamics.

2. Rural and Urban Inner City Area Hospital Studies. HCFA plans to continue its research efforts on alternative arrangements or systems involving hospitals in rural and urban inner city areas. Such studies will examine increasing competition between rural and urban inner city facilities for physicians, nurses, and other health care professionals. HCFA is also interested in developing a better understanding of how rural and urban inner city hospitals function, what can be done to assist them, and whether new types of facilities or services should be developed to replace or supplement them. Some areas of particular interest are:

   o Studies to examine the impact of PPS on access to care in rural and urban inner city areas, particularly studies that examine changes in occupancy rate, DRG use, hospital referrals, patient transfers, and posthospital care since the inception of PPS.

- Studies to examine the financial status of various classes of rural and urban inner city hospitals, to identify those that have done well under PPS and those which have not, and to determine the factors contributing to each.

- Studies to examine the impact on access to care in rural and urban inner city areas where hospitals have closed, including the effect on access by the elderly and the poor. The analysis of utilization patterns across providers in areas in which or near which a hospital has closed is also of great interest.

In addition, HCFA will be conducting studies relating to Congressional mandates emanating from P.L. 101-239; analyses of eliminating the system of determining separate average standardized amounts for certain hospitals located in large urban, other urban, or rural areas; and an inner-city hospital triage demonstration project.

HCFA will also be continuing work on the grants funded in FYs 1989 and 1990 under the Rural Health Care Transition Grant Program mandated in P.L. 100-203 (as amended by P.L. 101-239). This program was established as an effort to assist small rural hospitals and their communities in planning and implementing projects to strengthen the capability of these hospitals to provide high quality care to Medicare beneficiaries.

3. Analyses of Case-Mix and Severity of Illness Refinements. HCFA has supported research and demonstration projects that would improve case-mix measurement and test alternative case-mix measurement systems for prospective payment of inpatient hospital care or other health care providers, and test alternative case-specific payment systems for Medicare or other payors. HCFA plans to continue studies that examine the impact of case-mix growth variation on different types of hospitals and studies that examine severity of illness within a given DRG, as a potential refinement.

PROGRAM EFFICIENCIES, ANALYSES, AND REFINEMENTS

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$1,400,000	$ 50,000
Continuations	2,065,000	4,387,858
Total	$3,465,000	$4,437,858

GOAL: Numerous legislative and regulatory changes have been implemented which have improved the effectiveness and efficiency of the Medicare and Medicaid programs. HCFA is very interested in better understanding how the health care market has responded to these changes in order to determine the necessity for further policy reforms. In addition, changes have occurred in the population (such as the rate of incidence of AIDS) which will have an increasing impact on the Medicare and Medicaid programs. HCFA needs to better understand these implications, particularly in terms of program expenditures of these population changes. Towards these goals, HCFA will continue to conduct studies designed to improve its knowledge and understanding of the impact of program changes and the factors influencing Medicare and Medicaid program performance.

STRATEGY: HCFA's efforts in this area are intended to gather data from external sources to supplement HCFA data sources in order to continue or initiate projects that focus on fundamental issues which relate to meeting program objectives.

1. Acquired Immunodeficiency Syndrome (AIDS). HCFA will be examining the implications of AIDS for Medicare and Medicaid expenditures, including the prevalence and incidence of AIDS among Medicare and Medicaid patients, the utilization and costs of services for the treatment of beneficiaries with AIDS, and the effects on expenditure levels and sources of payment for different treatment modalities.

2. Data Development and Other Projects. In addition to the continued refinements to selected Medicare and Medicaid program areas, HCFA intends to continue efforts to improve the data and information available to policy and research analyses.

HEALTH CARE PREVENTION AND ACCESS

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$ 900,000	$ --
Continuations	2,782,000	3,450,000
Total	$3,682,000	$3,450,000

GOAL: There is a body of literature which indicates that spending for preventive health care services will reduce overall spending in the long run. HCFA continues to support the goal of ensuring that program beneficiaries have access to appropriate, cost-effective care. Towards this goal, HCFA will continue its examination of the cost-effectiveness of covering under Medicare and/or Medicaid such preventive services as immunizations, screening, testing, prenatal care, and health education services.

STRATEGY: HCFA will continue to conduct a variety of congressionally-mandated demonstrations in this area:

- the demonstration program mandated under P.L. 99-272 which is designed to reduce disability and dependency through the provision of preventive health services to Medicare beneficiaries;
- the demonstration program mandated under P.L. 100-203 and 101-239 to study the cost-effectiveness of providing coverage of therapeutic shoes under Medicare;
- the demonstration projects mandated under P.L. 101-239 to study the effect of allowing States to extend Medicaid eligibility to pregnant women and children not otherwise eligible to receive Medicaid benefits;
- the evaluation of the efficacy and cost-effectiveness of nutritional therapy in treating chronic renal disease (P.L. 96-499).

HCFA is also conducting a Congressionally-mandated demonstration on the cost effectiveness of including influenza vaccine in the Medicare program under funding through a program benefit apportionment.

SUBACUTE AND LONG-TERM CARE (LTC)

	FY 1990 Estimate	FY 1991 Budget Request
New Awards	$1,400,000	$ 500,000
Continuations	2,650,000	6,400,000
Total	$4,050,000	$6,900,000

GOAL: Increasing demands are being made on the subacute and long-term care delivery and financing systems under Medicare and Medicaid. HCFA continues to support the conduct of studies designed to better understand the trends and factors affecting cost and quality of subacute and long-term care services for the Medicare and Medicaid programs and to develop alternative, cost-effective delivery and financing systems.

STRATEGY: HCFA will continue to build upon the results of previous research to provide new knowledge or test innovative approaches to the cost-effective delivery of and payment for LTC services.

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HCFA will continue to participate with States and localities in identifying, developing, demonstrating, and evaluating effective alternatives to control the costs of long-term care reimbursement under the Medicaid program while maintaining a high quality of care. Medicaid is a principal source of funding for long-term care in the United States. In FY 1991, Federal expenditures for long-term care under the Medicaid program are expected to be over $18 billion. This represents nearly 45 percent of total Federal expenditures for vendor payments under the program in FY 1991. Furthermore, payments for long-term care are experiencing a more rapid rate of growth than payments for provision of other health care (i.e., hospital services and physician services), due in part to demographic trends.

1. Long-Term Care

o Congressionally-Mandated Studies. HCFA will be conducting studies related to the Congressional mandates emanating from:

(1) P.L. 99-509: chronically mentally ill demonstration and evaluation (section 9412(a)); frail elderly demonstration and evaluation (section 9412(b)); multi-site demonstration in which families of Alzheimer's patients are offered respite and training in caregiving (section 9342).

(2) P.L. 100-203: alternative methods of payment for home health agencies on a prospective basis (section 4027).

(3) P.L. 101-239: study of methods to compensate hospices for high cost care (section 6016); State demonstration projects on the application of limitation on nurse practitioner visits per month per resident on aggregate basis for a team.

o Alternative Payment Systems. HCFA plans to continue its study of a number of alternative long-term care payment systems including case-mix based systems and capitated systems (including the On Lok replicates). HCFA will also continue its evaluation of the Arizona Health Care Cost Containment System's expansion to include long-term care services.

o Refinements to LTC Payment/Financing System. HCFA plans to continue studies of potential refinements to the current payment/financing system for LTC services, including an examination of specific segments of the population and their needs for long term care services.

- Other Long-Term Care Studies. HCFA plans to continue studies on the following issues in FY 1991: the financial characteristics of Medicare beneficiaries who receive or need LTC services, including whether such beneficiaries are eligible for Medicare benefits for such services; how the financial and other characteristics of Medicare beneficiaries affect their utilization of institutional and noninstitutional LTC services; how relatives of Medicare beneficiaries are affected financially and in other ways because the beneficiaries require or receive LTC services; the quality of LTC services (in community-based and custodial settings) and how the provision of LTC services may reduce expenditures for acute care services; the effectiveness of, and need for, State and Federal consumer protections which assure adequate access to and protect the rights of Medicare beneficiaries who are provided LTC services (other than in a nursing facility).

CONGRESSIONAL MANDATES

HCFA estimates time that during FY 1991 $22.2 million will be spent on projects and studies mandated by the Congress (including $6 million from the program benefit apportionment for the influenza vaccine demonstration). A breakout by priority area of Congressionally-mandated activities follows:

o Quality of Care **$3,500,000**

- Reports on prospective payment system information on quality of post-hospital care (P.L. 99-509)
- Development and refinement of severity of illness adjustors/predictors (P.L. 99-509)
- Projects that assess patient outcomes (P.L. 99-509)
- Study of quality of care provided to Medicaid beneficiaries (P.L. 99-509)
- Study to evaluate the effects of reductions in the rates of payment for facility and physician services under the Medicare program for patients with ESRD on the access to care or on the quality of care (P.L. 99-509)

o Physician and Ambulatory Care Payment Systems $2,302,000

- Development of prospective payment methodology for outpatient hospital care and ambulatory care (P.L. 99-509)
- Demonstration project to examine the feasibility of requiring instruction and oversight of rural physicians (P.L. 100-203)
- Development of a methodology for combining work, practice expense, and malpractice relative value units (P.L. 101-239)
- Development of a plan under which qualified physician groups could elect annually separate performance standard rates of increase (P.L. 101-239)
- Study to monitor changes in physician utilization and access to services (P.L. 101-239)

- Study of payments to risk contracting plans (P.L. 101-239)
- Study of volume performance standard rates of increase by geography, specialty, and type of service (P.L. 101-239)
- Study of physician visit code modification (P.L. 101-239)

o	Capitated Payment Systems	$1,250,000

- Studies of HMO disenrollment and additional benefits through HMOs (P.L. 97-248)
- Evaluation of the Social HMO Demonstration (P.L. 98-369 and P.L. 100-203)
- Demonstration with TEFRA HMOs to test refined payment methods based on reconfigured service areas (P.L. 100-203)
- Extension of Minnesota prepaid medical demonstration project (P.L. 101-239)
- Extension and evaluation of Municipal Health Services Demonstration projects (P.L. 101-239)

o	Hospital Payment	$3,283,000

- Projects that will study the impact of the Medicare prospective payment system on beneficiaries and providers and which will assist in the refinement and extension of the PPS system as mandated by the Social Security Amendments of 1983 (P.L. 98-21), the Deficit Reduction Act of 1984 (P.L. 98-369) and the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509)
- Demonstration to examine the appropriateness of classifying chronic ventilator-dependent units in hospitals as rehabilitation units (P.L. 100-360)
- Rural Health Care Transition Grants Program (P.L. 99-509)--although funding for these projects is not included in the FY 1991 request
- Inner-City hospital triage demonstration project (P.L. 101-239)
- Analyses of eliminating the system of determining separate average standardized amounts for certain hospitals located in large urban, other urban, or rural areas (P.L. 101-239)

o	Program Efficiencies, Analyses, and Refinements	$450,000

- Research projects conducted under the small business innovation research program (P.L. 97-219)
- Study of reimbursement for ambulance services (P.L. 101-239)

o	Health Care Prevention and Access	$2,442,000

- Study of the efficacy and cost effectiveness of nutritional therapy in treating chronic renal disease (P.L. 96-499)
- Demonstration program to study reduction of disability and dependence through provision of preventive health services (P.L. 99-509 and 99-272)
- Study of cost-effectiveness of provision of therapeutic shoes under Medicare (P.L. 100-203)
- Demonstration projects to study the effect of allowing States to extend Medicaid to pregnant women and children not otherwise qualified to receive Medicaid benefits (P.L. 101-239)

o	Subacute and Long-Term Care	$3,000,000

- An evaluation of the chronically mentally ill demonstration (P.L. 99-509)
- An evaluation of the frail elderly demonstration (P.L. 99-509)
- Study of a multi-site program in which families of Alzheimer's patients are offered respite and training in caregiving (P.L. 99-509)
- Demonstration of a prospective payment system for home health services (P.L. 99-509)
- Study of methods to compensate hospices for high-cost care (P.L. 101-239)
- State demonstration projects on application of limitation on nurse practitioner visits per month per resident on aggregate basis for a team (P.L. 101-239)

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2. MEDICARE CONTRACTORS

Authorizing Legislation - Social Security Act, Title XVIII, Sections 1816 and 1842, 42 U.S.C. 1395.

	FY 1990 Appropriation	FY 1990 Current Estimate	FY 1991 Estimate	Increase or Decrease
Total Obligations	$1,373,523,000	$1,355,342,000	$1,410,000,000	$54,658,000
Outlayed Contingency	—	—	36,500,000	36,500,000
Contingency Fund	98,672,000	98,672,000	136,500,000	37,828,000
Total Resources	$1,472,195,000	$1,454,014,000	$1,583,000,000	$128,986,000

PURPOSE AND METHOD OF OPERATIONS

Medicare contractors discharge the government's responsibility for paying Medicare beneficiaries and providers of service in a timely, accurate, and fiscally responsible manner. Claims processing operations have become quite complex. Overall, Medicare contractors have implemented detailed legislation affecting claims processing activities in an effective and cost efficient manner. The Health Care Financing Administration (HCFA) has and will continue to implement policies designed to control costs through changes in payment methodology and aggressive efforts to detect fraud and abuse. The Medicare contractors are at the core of this dynamic environment and play a vital role in the processing of Medicare claims while preserving the fiscal integrity of the trust funds.

The cost of administering the Medicare contractor program in FY 1991 is estimated to be $1,410.0 million plus $36.5 million in outlayed contingency funds. Appropriation funding levels for the past five fiscal years were as follows:

1986.....	$996,424,000	
1987.....	$1,102,000,000	(Includes $8,900,000 million contingency)
1988.....	$1,183,844,000	(Includes $57,444,000 million contingency)
1989.....	$1,460,388,000	(Includes $98,800,000 million contingency)
1990.....	$1,472,195,000	(Includes $98,672,000 million contingency)

The repeal of the Medicare Catastrophic Coverage Act of 1988 (MCCA) eliminates the Medicare Parts A and B Catastrophic benefits and other related program expansions. The

FY 1991 Medicare contractor administrative budget request has been modified to delete reference to funding for administrative activities associated with the MCCA.

The Medicare contractor administrative budget request has been adjusted further to include funding for administrative activities associated with implementation of the Omnibus Budget Reconciliation Act (OBRA) of 1989.

Intermediary responsibilities encompass making and accounting for Medicare benefit payments, auditing the financial records of providers, making final settlement of cost reports, detecting and recovering any Medicare overpayment, safeguarding trust funds against payment for services that are not covered, are duplicative, or are not medically necessary, as well as providing information, guidance, and technical support to providers of service.

Carriers are responsible for adjudicating claims and making payments to beneficiaries and providers of service under Part B of the Medicare program. Reimbursement is primarily for physician and supplier services. Carrier responsibilities include receiving and accounting for Medicare benefit payments, accounting for payments made directly to and/or on behalf of eligible Medicare beneficiaries, determining allowable reasonable charges for covered services, computing and recovering overpayment in cases of erroneous payment, maintaining the participating physician program, and establishing methodologies to identify utilization patterns which deviate from medically accepted norms and bringing such patterns to the attention of the appropriate professional groups.

HIGHLIGHTS

Overall Budget Savings

This budget reflects the numerous operating efficiencies and budget constraints initiated in the FY 1990 budget. Key FY 1990 savings result from unit cost adjustments totalling $37.9 million. These efficiencies were obtained from: (1) the Common Working File satellite operations ($13.0 million); (2) shared maintenance/shared processing ($9.9 million; and (3) the final adjustment related to efficiencies of the marketplace ($15.0 million). These same three initiatives effect the following savings in the FY 1991 budget: $7.0 million, $30.8 million, and $15.0 million, respectively. HCFA has also achieved FY 1990 incremental workload savings of $2.6 million in FY 1990 and $3.8 million in FY 1991. The cumulative savings for FY 1991 resulting from all related activities are $97.1 million. While these efforts will exert considerable pressure on the Medicare contractors to reduce the costs of operating their claims processing systems, HCFA expects contractors to maintain efficient operations in compliance with Medicare claims payment timeliness standards.

Common Working File (CWF)

The CWF project will be completed and ongoing operational costs will become part of the claims processing function, rather than a productivity investment cost. In FY 1991, there is $29.5 million included in claims processing for operation of the host sites.

Shared Software Maintenance Systems

Shared maintenance arrangements among Medicare contractors yield significant savings to HCFA. One contractor can develop software needed to implement legislation, regulations or policy, and that software can then be shared by all users of the system. By the end of FY 1990 HCFA expects to have 53 contractors operating with shared maintenance arrangements. In FY 1991, HCFA intends to strongly urge the contractor community to enter into shared maintenance arrangements in order to realize the associated savings. Funding for systems enhancements not mandated by HCFA will be reserved exclusively for shared maintenance users. HCFA expects to complete the transition to shared software maintenance, where it is determined to be economically feasible, by the end of FY 1992.

Shared Claims Processing Systems

HCFA realizes benefits from shared processing arrangements because claims processing costs are reduced by paying for one computer system as opposed to several. At the end of FY 1990 HCFA expects to have 19 contractors sharing processing arrangements. In FY 1991, HCFA will aggressively pursue contractor participation in shared processing arrangements. Together with shared software maintenance, shared claims processing systems will yield substantial savings over the next five years.

Medicare Secondary Payer (MSP)

Contractor MSP activities will be directed toward the objectives of preventing improper Medicare billing, improving contractor efficiency and effectiveness and implementing recoveries from the statutorily required Internal Revenue Service (IRS)/Social Security Administration (SSA)/HCFA data match. Contractors will be required to meet challenging savings goals. Funds are provided in FY 1991 to identify savings and recover overpayment from primary payers, and to support litigating activities against nonconforming insurers and third-party administrators.

Beneficiary and Provider Services

To enhance the quality of service rendered to Medicare beneficiaries and providers, HCFA has budgeted $57.5 million for Reconsiderations and Hearings, $117.1 million for Beneficiary Communications, and $16.2 million to continue Professional Relations activities in FY 1991. Professional relations funding has increased as a result of OBRA 89 provisions. The composite 8.4 percent increase over the President's FY 1990 budget, in part, includes funding for costs associated with increased hearing and reconsideration workloads (from 5.4 million in FY 1990 to 6.1 million in FY 1991). This level of funding will allow contractors to process 75 percent of Part A reconsiderations in 60 days, 95 percent of reviews in 45 days, and 90 percent of Part B hearings within 120 days. HCFA expects to achieve substantial reductions in the unit cost of hearings and reconsiderations through expanded use of on-the-record and telephone hearings. Contractors will process the 29.1 million beneficiary and provider inquiries (telephone, written and walk-in) expected to be generated over the course of FY 1991. Use of technological advancements in audio voice response units in place of the current labor-intensive methods of responding to inquiries will offset some of the cost associated with the increasing number of inquiries.

Carrier Medical Review

Carriers will use the Unique Physician Identifier Number (UPIN) to perform prepayment and postpayment review of physicians who order abnormal levels of service, equipment and supplies. They will also match diagnosis and procedure codes to identify questionable or inappropriate services. A Peer Review Organization (PRO) - carrier network will be established for enhanced exchange of information. An analytical, diagnosis-based review of medical services, termed Patterns of Care, will be implemented in FY 1991.

MEDICARE CONTRACTOR BUDGET
FY 1991
(Dollars in Millions)

	FY 1990 Current Estimate	FY 1991 Request	Increase or Decrease
PAYMENT SAFEGUARDS			
Medical/Utilization Review	$145.0	$146.7	$1.7
Audit	131.4	135.7	4.3
Medicare Secondary Payer	55.7	52.4	-3.3
Total Payment Safeguards	$332.1	$334.8	$2.7
PRODUCTIVITY INVESTMENTS	$76.2	$73.4	$-2.8
CLAIMS PROCESSING			
Bill/Claim Payment	621.2	665.1	43.9
Reimbursement	36.5	38.7	2.2
Printing	2.3	2.3	0.0
Fixed-Price Contracts	83.5	72.6	-10.9
Total Claims Processing	$743.5	$778.7	$35.2
BENEFICIARY & PROVIDER SVS.			
Hearings	64.2	57.5	-6.7
Beneficiary Communications	103.6	117.1	13.5
Professional Relations	8.2	16.2	8.0
Total Bene. & Prov. Svs.	$176.0	$190.8	$14.8
PARTICIPATING PHYSICIANS	$27.5	$32.3	$4.8
OUTLAYED CONTINGENCY	$0.0	$36.5	$36.5
TOTAL OPERATING FUNDS	$1,355.3	$1,446.5	$91.2
CONTINGENCY-OBRA 89	$0.0	$36.5	$36.5
CONTINGENCY-REGULAR	$98.7	$100.0	$1.3
TOTAL CONTINGENCY	$98.7	$136.5	$37.8
TOTAL CONTRACTOR BUDGET	$1,454.0	$1,583.0	$129.0

RATIONALE FOR THE BUDGET REQUEST

I. Payment Safeguards - $334.8 Million

In addition to processing and paying claims for services provided to Medicare beneficiaries, contractors perform other vital functions. These functions include conducting medical reviews of claims to ascertain whether services were medically necessary and constituted an appropriate level of care, auditing Medicare cost reports of providers, and assuring that under certain conditions, Medicare is the secondary payer. These medical review (MR), audit and MSP activities are referred to as payment safeguards. HCFA maintains a system for continued verification of the payment safeguard savings reported by contractors.

A. Medical Review/Utilization Review - $146.7 Million

HCFA's approach to MR has been, and continues to be, that investments in the function return about six dollars for every dollar spent and deter millions of dollars of improper billings. As described below, HCFA plans several new initiatives in MR during FY 1991 which will assure the maintenance of the ratio of expenditures to savings historically achieved.

o Intermediary Medical Review - $ 35.9 Million

Intermediaries are responsible for MR of services in other than inpatient hospital care and specified outpatient surgical care settings; e.g., outpatient, home health agency (HHA), skilled nursing facility (SNF), etc. This review assures that the medical care provided is a Medicare covered service and is necessary and appropriate. In FY 1991, prepayment screens will be used to focus review on areas of potential abuse and over-utilization. The home health data base developed in FY 1990 will be utilized to identify areas for review in home health. Outpatient review levels will be increased with new screens implemented for cardiac rehabilitation and speech and occupational therapy. In addition, postpayment compliance reviews will be intensified and outpatient reviews will be expanded for providers who demonstrate aberrant patterns of utilization. Intermediaries will be encouraged to use specialty professionals to review specialty areas and to educate intermediary and provider staff regarding medical review criteria relating to speech, occupational and physical therapy. By focusing review on specific areas, HCFA anticipates approximately $175.0 million in program savings in FY 1991.

- Carrier Medical Review - $110.8 Million

HCFA plans to continue a program of focussed, cost-effective prepayment review. HCFA will develop additional MR screens identified through postpayment MR reviews to reduce overpayments, thereby assuring more accurate claims payment determinations. HCFA also plans to continue to center its review activity on high-dollar and frequently performed services.

HCFA will continue to strengthen professional consultation in the development of MR policy. Periodic meetings of carrier medical directors will be conducted to enhance uniformity in MR policy development. Regional meetings of medical directors also will be conducted to foster information exchanges among carriers within regional areas. Carriers have in place a physician consultation and communication system that ensures all new and revised policies receive appropriate public comments and are disseminated prior to their implementation. This process results in increased understanding and acceptance of medical necessity determinations.

The postpayment MR process will focus on physicians/suppliers with the most questionable utilization patterns, both in terms of services actually performed and services ordered.

Significant improvements will continue to result from application of new tools in FY 1991. The UPIN will enable prepayment and postpayment review of physicians who order abnormal levels of services, equipment or supplies. Previous reviews tended to concentrate upon individuals who rendered rather than ordered services. UPIN also will facilitate analysis of practice patterns of individuals within group practices, sharpening postpayment pattern-of-practice evaluations. HCFA estimates that about five percent of MR postpayment review cases will be generated as a result of UPIN procedures.

Diagnosis codes will be edited against procedure codes in FY 1991, allowing more precise identification of questionable or unwarranted services. MR will be coordinated much more thoroughly with the PROs as they expand their own reviews of certain physician services. A PRO-Carrier network will be established for the routine exchange of MR data and coordination of efforts. This network will provide the foundation for a comprehensive utilization and quality review program.

The program will feature a coordinated approach to the development of medical policy and review criteria, information exchange between

PROs and carriers on providers with practice patterns that suggest overutilization, as well as data exchange on PRO review decisions on hospital stays and subsequent carrier action on associated physician services.

An analytical diagnosis-based approach to identification of services for more intensified MR, termed Patterns of Care, will be implemented nationally. This will combine available diagnosis codes with medically accepted modes of treatment to flag services that may be excessive. Pilot tests are being performed on the concept and systems in FY 1990. Funding for this activity includes carrier staff review of system output rather than development of the system which will be accomplished in 1990. We estimate that approximately 20 percent of FY 1991 prepayment MR will be diagnosis related.

The CWF, a real-time system that merges Part A and Part B data, will strengthen our efforts to focus on the proliferation of services performed in outpatient settings. In addition, HCFA will continue to take an active role in supporting fraud and abuse initiatives and carrier compliance with fraud and abuse instructions.

HCFA anticipates approximately $760.0 million in carrier MR program savings in FY 1991.

B. Provider Audit - $135.7 Million

In FY 1991, provider audit will continue to be a major payment safeguard initiative. The audit of provider cost reports is the primary instrument with which the integrity of Part A Medicare program payments is maintained. HCFA expects to achieve program savings of $820.0 million in FY 1989, $690.2 million in FY 1990, and $814.2 million in FY 1991.

Intermediaries will be required to complete a major initiative to improve the quality of provider audits. Among the actions to be taken, HCFA will require that Government Auditing Standards issued by the Comptroller General be followed. These standards address adequacy of supervision, training (80 hours every two years), report preparation and supervisory review, materiality, clarity of audit objectives, and other related considerations.

Intermediaries must have internal quality control programs; every intermediary will be subject to external quality review by HCFA and the Office of Inspector General (OIG).

In addition, audit procedures will be performed to address other legislative or policy issues. These issues include the uniform cost reporting demonstration mandated by Section 4007(c) of OBRA 87, which requires the Secretary to provide for a demonstration project to develop and determine the costs and benefits of establishing a uniform system of cost reporting for hospitals participating in the Medicare program. Also required are special audits to implement Section 9202 of the Consolidated Omnibus Budget Reconciliation Act, which provides that payments for Graduate Medical Education (GME) costs be based upon an average rate per resident amount, for cost reporting periods beginning on or after July 1, 1985.

o Medicare Provider Growth

The growth rate in the number of Medicare providers varies significantly by type of provider. The overall number of hospitals has remained relatively constant, but there is a steady increase in the number of multi-facility providers under the Prospective Payment System (PPS); i.e., more providers with excluded units and/or subproviders which are exempt from PPS.

Our most recent payment data (FY 1989) indicate that amounts paid to non-PPS providers, represent 43 percent of total payments, down from 45 percent in the prior year. The largest decrease was in payments to non-PPS hospitals, decreasing 35 percent. The largest increases, partially offsetting the net cost decreases, are in payments to Skilled Nursing Facilities and cost-based payments to PPS hospitals, increasing 160 percent and 6 percent respectively. Although there has been a net decrease in cost based reimbursement, there continues to be a substantial portion of provider costs which are reimbursed on a cost basis. Thus, a considerable amount of audit effort is warranted to verify the cost based reimbursement.

o Audit Priorities

Considering provider growth and the increase in cost-based reimbursement to PPS hospitals, HCFA will continue to give priority to the audits of PPS multi-facility hospitals as well as chain-affiliated providers. In addition, by concentrating effort on HHAs and SNFs which meet minimum audit criteria, HCFA will maximize the potential savings available from these providers. HCFA also will focus audit efforts on costs reported and allocated by home offices, since there are numerous incentives for chain home offices to maximize reimbursement through creative cost allocation practices. The following chart presents estimated audit costs, by type of provider:

AUDIT COST BY TYPE OF PROVIDER
(Dollars in Millions)

Audit Activity	Total Providers	Number of Audits	Percent to be Audited	Total Audit Cost
Desk Review	N/A	N/A	N/A	$29.8
Final Settlements	N/A	N/A	N/A	29.4
Special Audit Activities	N/A	N/A	N/A	15.6
Field Audits				
PPS Hospitals	6,263	3,286	52%	44.7
NON-PPS Hospitals	1,278	633	49%	5.8
SNF Freestanding	7,100	924	13%	2.6
HHA Freestanding	4,362	872	20%	2.6
Chain Home Office	851	543	64%	4.7
Other	5,665	217	4%	.5
Total	25,519	6,475	25%	$135.7

C. Medicare Secondary Payer (MSP) - $52.4 Million

Contractors continue to identify situations for which other payers are primary to Medicare. Contractors review all claims as they are submitted to ascertain if the beneficiary has other health insurance coverage. Such coverage may include the working aged, the disabled, workers' compensation, end stage renal disease, and auto liability/no-fault insurance.

The identification of potential other coverage is based on development of claims, data exchange systems among contractors, and indications of earnings from SSA records.

Contractors determine if other coverage is applicable before making payment. If Medicare is the secondary payer, payment is avoided or reduced. In FY 1991, HCFA will continue its efforts to identify, avoid, and recover payments for which other insurers are the primary payers. HCFA also will devote some resources to identification and recovery of mistaken primary payments for services to working aged beneficiaries disclosed by the IRS/SSA/HCFA data match initiative mandated by the OBRA 89.

D. Payment Safeguard Administrative Costs and Savings

The following table presents a description of the administrative costs and savings associated with the previously described Medicare contractor payment safeguard activities:

PAYMENT SAFEGUARD ADMINISTRATIVE COSTS
AND BENEFIT SAVINGS
(Dollars in Millions)

	FY 1989		FY 1990		FY 1991	
	Costs	Savings	Cost	Savings	Cost	Savings
MR/UR						
Part A	$61.0	$186.7	$35.5	$173.0	$35.9	$175.0
Part B	94.3	773.4	109.5	750.0	110.8	760.0
Subtotal	$155.3	$960.1	$145.0	$923.0	$146.7	$935.0
Audit	$131.4	$820.0	$131.4	$690.2	$135.7	$814.2
MSP						
Part A	32.7	1,625.7	40.5	1,961.8	36.7	1,776.3
Part B	38.3	555.5	15.2	220.4	15.7	223.3
Subtotal	$71.0	$2,181.2	$55.7	$2,182.2	$52.4	$1,999.6
Total	$357.7	$3,961.3	$332.1	$3,795.4	$334.8	$3,748.8

Note: The savings are a non - actuarial estimate.

II. Productivity Investments - $73.4 Million

A description of each proposed initiative follows:

Common Working File - $14.8 Million

This initiative, as originally designed, will be completed and operational in FY 1991 when all contractors will be tied into a CWF. The CWF initiative improves claims processing operations by creating a series of regional databases (hosts) containing all beneficiary entitlement, utilization and claims history data. Contractors are required to send all claims to their local host for validation with the host's records prior to payment. This automated benefit authorization process will reduce erroneous payments by improving duplicate payment edits, identifying conflicting Part A and Part B services for the same beneficiary, and enhancing HCFA's ability to identify situations in which Medicare is not the primary payer. In addition, administrative costs are reduced through the elimination of error-prone processes such as the A/B data exchange, the regional data exchange system for MSP and payment records. Finally, CWF creates a real-time database in Baltimore for program policy studies and support of Congressional requests, and eliminates most contractor cost for production of Part B Medicare Automated Data (BMAD) statistics. Savings from these activities are incorporated into the unit cost calculations for claims processing.

In FY 1991, HCFA will spend $14.8 million to expand CWF services and capabilities. The FY 1991 funding will provide the following improvements:

- Improved payment safeguard procedures
    - Add MR editing to CWF which will enable contractors to automatically evaluate services paid for by the other contractors during the utilization review process.
    - Establish CWF access for PROs. CWF data will permit more efficient PRO reviews and improve their capabilities for effectiveness studies.

  HCFA expects $35 million in program savings in FY 1991 as a result of these improvements in MR made possible by CWF.

- Improved claims processing procedures
    - Implement a process to reallocate beneficiaries between hosts based on location and frequency of billing.
    - Add the capability of collecting internal statistics which will enhance statistical studies and HCFA's ability to evaluate data flowing through the CWF.
    - Build a replacement for BMAD. The replacement will have data two years more current than BMAD.
    - Profile beneficiaries across all services and contractor jurisdictions and create reports which identify and evaluate high utilization patterns.
    - Reduce processing time for out-of-service requests with host-to-host communication.

Shared Software Maintenance Systems - $5.8 Million

Shared maintenance is defined as an arrangement whereby two or more contractors use the same claims processing system operated at their individual computer facilities, but all maintenance activity is performed by a single contractor. Systems changes are developed by a single contractor and installed by all contractors in the user group. Costs of the changes are shared by the group members. Each contractor processes its own claims. Fifty three contractors will be involved in shared maintenance activities by the end of FY 1990. HCFA will realize savings from these arrangements because they reduce the level of effort and costs associated with implementing legislative and other mandatory systems changes as well as systems-related initiatives such as the CWF. They will also improve consistency among contractors, thus enhancing claims processing accuracy and the uniform administration of benefits. Once these arrangements are in place, HCFA will fund enhancements to the systems to keep pace with state of the art technology. HCFA expects that claims processing costs will be reduced by $20.0 million as a result of this action beginning in FY 1989 and continuing through FY 1991. Unit cost has been adjusted accordingly. The funds requested in this budget are for the costs of bringing more contractors into the shared maintenance configuration and for systems enhancements.

Shared Claims Processing Systems - $5.2 Million

Shared processing is defined as several contractors using a single data processing center to process Medicare claims. Both hardware and software are stored and used jointly by the contractors, with one contractor maintaining and operating the claims processing system. Nineteen contractors will be operating in a shared processing environment by the end of FY 1990. HCFA will realize considerable savings from these shared arrangements because claims processing costs are reduced by paying for one computer system as opposed to several. Shared processing will further improve the uniform administration of benefits and claims processing accuracy, and ensure consistency among contractors making mandatory systems changes. This will save $10.8 million in FY 1991; claims processing unit costs have been adjusted to reflect this savings. The $5.2 million requested for this function is earmarked to link more contractors into shared processing systems.

Facilities Management - $6.0 Million

Several facilities management subcontracts will either expire in FY 1991 or be in some stage of transition. These subcontracts handle the Medicare data processing functions at certain contractors and must be re-competed or replaced by a shared processing or shared maintenance arrangement.

Quality Assurance Program (QA) - $0.9 Million

HCFA operates a QA program to ensure payment accuracy under the Medicare program. In FY 1991, contractors will conduct Part A and Part B operational reviews of policies and issues to identify problems which must be corrected. As part of this review process, a select group of intermediaries will review a sample of PPS bills and associated documentation to determine processing accuracy. Another initiative is directed toward enhancing efficiency of Part B QA programming and responding to legislative and regulatory changes. HCFA will also oversee the development of new edits as part of the Reasonable Charge Edit Program.

Changes in the National Uniform Bill (UB-82) - $8.5 Million

HCFA uses form UB-82 for processing Medicare bills from institutional providers. This form must now be modified to accommodate regular outpatient coding revisions. The costs are primarily for programming and systems changes that will need to take place at 34 sites. The remainder is needed for provider training and user implementation.

HCFA-1500 Revision - $2.0 Million

The use of the standard HCFA-1500 Health Insurance Claim Form is required by regulation. HCFA has worked closely with the American Medical Association, the Health Insurance Association of America, the Blue Cross and Blue Shield Association (BCBSA), State Medicaid, and Federal agencies to improve the data set necessary for improved coordination of benefits. The use of the revised form will improve program efficiency, permit optical scanning, improve MSP operations, and improve claims coding and payment data. To accommodate the new claims form, carriers will have to make limited systems changes and educate physicians and suppliers on the use of the new form. Electronic Media Claims (EMC) formats will have to be revised as well.

Beneficiary Initiatives - $2.7 Million

In a continuing effort to improve the quality and readability of information furnished to over 34 million Medicare beneficiaries, funds are requested for contractors to implement changes in format, design and readability of information as well as to improve and implement Explanation of Medicare Benefits (EOMB) messages.

Regional Durable Medical Equipment (DME) Fee Schedules - $4.0 Million

Beginning in 1991, HCFA is required to phase in payments for DME based on regional rates. Blended rates, representing weighted averages of local and regional payment amounts, are required for 1991 and 1992. After 1992, the regional payment amount is to be paid. In order to implement the new rates, Medicare carriers are required to make computer system changes; claims processing changes; and undertake increased professional relations efforts to explain the changes to the provider community.

Standard Statistical Conventions - $10.0 Million

Carriers now are inconsistent in their use of standard statistical conventions; e.g., definitions of place of service, type of service, and uniform data elements. As an outgrowth of the Uniform Claims Form task-force initiatives, HCFA wishes to adopt a departmental and industry standard convention. Adoption of this will facilitate an industry-wide health insurance database and will assist in implementing physician payment reform. The carriers need to review, analyze and validate data to eliminate local procedure code and modified usage to standardize payment action codes.

Substantial changes in carrier claims processing systems are required, as well as a major professional relations initiative. These changes are essential to uniformity of data collection and to allow the full realization of the benefits provided by the CWF and shared processing and maintenance activities.

Revision of Carrier Payment Software - $5.0 Million

Part B Medicare reimbursement is usually updated on a calendar-year basis. Carriers maintain two years of pricing data concurrently. However, legislative changes have often created the necessity for carriers to maintain three or four pricing screens simultaneously. For example, separate pricing screens were established for January - December 1987, January 1988 - March 1988, and April - December 1988. Funding will allow carriers to enhance 15 computer systems and to maintain these screens.

Payments for Physicians in Health Manpower Shortage Areas - $1.0 Million

Section 4043 of OBRA 1987 requires payment of a bonus of five percent of the Medicare payment for physician services provided in a health manpower shortage area (HMSA). Funding is required for carriers to identify physicians within HMSAs and set up systems to calculate and pay the five percent bonus on physicians' claims.

Electronic Media Claims - $3.0 Million

In FY 1991, carriers must implement HCFA initiatives designed to reduce claims processing costs by making electronic submission of claims simpler and more attractive to physicians and suppliers. These initiatives include:

- Adoption of a revised national Medicare electronic claims format which reflects the data elements required by the planned changes to the standard

Health Insurance Claim Form (HCFA-1500) and, in addition, provide opportunities for future expansion as program requirements are modified.

- Adoption of a standard electronic summary payment voucher (or remittance notice) which will facilitate physician/supplier accounts receivable and payment reconciliation tasks by making it possible to automate this function.
- Elimination of the variation among carriers in header and trailer records; field definition; program edits; etc., which present barriers to electronic claims submission by multi-state billers or vendors selling billing software programs in more than one carrier jurisdiction.
- CPU-to-CPU communications capability and electronic remittance advices to improve the EMC product and increase the incentive for its use by additional providers.

Budget Reconciliation - $4.5 Million

In FY 1991, contractors must begin implementation of several key provisions of OBRA 1989. The most important of these activities involve the physician ownership and referral provision (Section 6204) and physician payment reform (Section 6102). The legislation also calls for adjustments to a number of pricing algorithms which will require contractor system changes.

PRODUCTIVITY INVESTMENTS
INTERMEDIARIES
(Dollars in Millions)

Proposal	Amount Requested	
	FY 1990	FY 1991
Common Working File	$21.4	$7.2
Shared Software Maintenance	0.0	1.3
Shared Claims Processing	0.0	2.2
Facilities Management	1.3	3.0
Quality Assurance Program	0.0	0.3
Changes in the UB-82	0.0	8.5
Catastrophic Health Insurance	22.4	0.0
Total Intermediaries	$45.1	$22.5

PRODUCTIVITY INVESTMENTS
CARRIERS
(Dollars in Millions)

Proposal	Amount Requested	
	FY 1990	FY 1991
Catastrophic Health Ins.	$3.0	$0.0
Common Working File	21.5	7.6
Shared Software Maintenance	0.0	4.5
Shared Claims Processing	0.0	3.0
Facilities Management	3.7	3.0
Quality Assurance Program	0.0	0.6
Revised HCFA-1500	0.0	2.0
Beneficiary Initiatives	0.0	2.7
Physician Identification	2.9	0.0
Durable Medical Equipment	0.0	4.0
Standard Statistical Conventions	0.0	10.0
Revision of Payment Software	0.0	5.0
Payment for Physicians-Under-Served Areas	0.0	1.0
Electronic Media Claims	0.0	3.0
OBRA 89 Provisions	0.0	4.5
Total Carriers	$31.1	$50.9
TOTAL ALL CONTRACTORS	$76.2	$73.4

III. Claims Processing - $778.7 Million

A. Claims Payment - $665.1 Million

Contractors must determine whether services for which claims are received are covered, whether the patient is entitled to benefits, and the amount of payment. Bills/claims must be paid between 14 and 24 days of receipt (between 14 and 17 days for a participating physician bill). These activities must be performed with a high degree of accuracy.

Claims payment includes direct and indirect costs associated with the receipt, processing and payment of Medicare claims. These costs include labor, ADP and administrative support activities.

Claims payment also includes $33.7 million for other ongoing costs such as freedom of information requests, administrative support for OIG/General Accounting Office special studies, BCBSA expenses, and CWF expenses for nine host data centers and one overall software maintenance contractor. These costs are excluded from the unit cost calculation.

Costs which affect unit cost include inflation, volume increases, the UPIN initiative, efficiencies realized from CWF, shared maintenance and shared processing and productivity investments.

FACTORS IMPACTING WORKLOAD AND UNIT COST

The actuary was consulted in determining workload projections for FY 1990 and FY 1991. Using a statistical forecasting analysis of the latest available actual workload data, and data from HCFA's actuaries, workload estimates were developed for FY 1990 and FY 1991. HCFA projects workload growth in FY 1990 of 10.3 percent for Part A and 13.6 percent for Part B. From the revised FY 1990 base, HCFA projects a 1.4 percent decrease to FY 1991 for Part A and a 0.5 percent increase to the Part B workload. Inflation is assumed to be 3.3 percent.

For cost contractors, the bill/claims payment unit cost is derived by dividing the contractors' claims payment and hearings costs for Part A and their claims payment, hearings, and beneficiary communications costs for Part B by the corresponding bill/claims workload.

The following tables show unit cost data and workload processed for FY 1986 through FY 1989 as well as projections for FY 1990 and FY 1991:

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Unit Cost (Claims Processing, Hearings, Bene. Communication)

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Cost Contracts						
Part A	$1.97	$1.81	$1.83	$1.93	$1.97	$1.88
Part B	$1.72	$1.65	$1.57	$1.57	$1.58	$1.53

Workload in Millions

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991
Part A						
Cost Contracts	55.1	59.2	70.1	74.0	81.5	76.2
% Change		7.4	18.4	5.6	10.1	-6.5
Fixed Price	8.9	8.0	1.7	1.8	2.1	6.2
% Change		-10.0	-79.0	5.9	16.7	295.0
Total	64.0	67.2	71.8	75.8	83.6	82.4
% Change		5.0	6.8	5.6	10.3	-1.4
Part B						
Cost Contracts	285.4	318.3	355.4	396.3	413.1	428.5
% Change		11.5	11.7	11.5	4.2	3.7
Fixed Price	14.9	15.8	17.9	11.4	49.9	36.6
% Change		6.0	13.3	-36.3	437.0	-26.7
Total	300.3	334.1	373.3	407.7	463.0	465.1
% Change		11.3	11.7	9.2	13.6	0.5

B. Other Related Costs

In addition to claims payment expenses, Medicare contractors incur other costs that are related to the processing of claims. Some of the costs are incurred only by intermediaries, some are incurred only by carriers, and some are incurred by both.

Costs Incurred by Intermediaries Only

o Reimbursement - $38.7 Million

In FY 1991 Medicare contractors will provide reimbursement services based on approximately 26,000 health care providers. Reimbursement services are required by Medicare regulations. They include the following activities:

- Collection of Provider Overpayments: Systems will be maintained to record overpayments made to providers and track their recovery. In addition, uncollectible overpayment cases will be investigated and developed for litigation.

- Interim Payments: Interim payment rates for all Medicare providers will be reviewed and adjusted throughout the fiscal year. This process requires the review of provider cost and utilization statistics and the calculation of adjusted rates.

- Consultative Services: On-site assistance will be provided to any provider experiencing difficulties in preparing the cost report, in preparing claims, or in any other reimbursement area.

- Records and Reports: According to specific instructions, files and records will be maintained to ensure proper payments to providers. Several different statistical reports will be prepared and submitted to HCFA on an ongoing basis.

Also included in the Reimbursement budget are costs associated with the following initiative:

- System Tracking for Audit and Reimbursement (STAR): The STAR system collects data on individual provider identification such as: name, provider number, number of beds/visits, etc. Also collected are data on the cost of contractors' performing audit and reimbursement functions, including interim rate setting, desk reviews, settlements and field audits. The STAR system will be integrated with other data retrieval systems to eliminate duplicate reporting and to establish one database for information reported by intermediaries.

Costs Incurred by Carriers Only

- Administration of the Medicare Participating Physician and Supplier Program - $32.3 Million

  The Medicare Participating Physician and Supplier Program(MPPSP) was established by the Deficit Reduction Act of 1984 and modified by each subsequent budget reconciliation act. The main goal is to reduce the impact of medical costs upon beneficiaries by establishing incentives for physicians and suppliers to accept assignment on all Medicare claims.

  Carrier funding for MPPSP includes such tasks and activities as: mailing an annual participating enrollment package to each physician and supplier; printing and distributing MEDPARDS; maintaining toll-free beneficiary telephone lines; and monitoring compliance with both the elective surgery disclosure requirement and the maximum allowable actual charge (MAAC) provision. Included in the $32.3 million are provisions for carrier bonuses, as directed in OBRA 86 and physician payment reforms, as directed in OBRA 89.

- Professional Relations - $16.2 Million

  The success of the Medicare program depends upon the continuing cooperation of individuals and institutions providing health care services. Funding will allow carriers to send newsletters to physicians and suppliers which address changes before they are implemented. Carriers will provide basic training on claims submission as well as in-depth training for more experienced personnel on claims processing requirements in specific situations. Funding is included for the enforcement of proper diagnostic coding on claims, identification of referring, ordering and rendering physicians.

- Beneficiary Communications - $117.1 Million

  The Medicare program is complex, based on many provisions required by law, regulations and policy dealing with entitlement, coverage of services and limitations on coverage of services, comprehensive payment rules, and the rights and responsibilities of beneficiaries. The Medicare contractor community is the direct link between beneficiaries and the program. This activity includes all costs related to beneficiary telephone, written, and walk-in inquiries.

Costs Incurred by All Contractors

- Hearings and Reconsiderations - $57.5 Million

  This function includes all activities related to due process as a result of contractor disallowances of bills or claims. Beneficiaries, providers, and physicians are entitled under the law to request reconsiderations or formal reviews and hearings if they are dissatisfied with initial payment determinations made by contractors. Associated costs include all activities related to formalized hearings and appeals such as legal fees, recording fees, travel, questions from walk-in beneficiaries, and other incidental charges. The hearings and reconsideration workloads are projected to total approximately 6.1 million.

- Printing - $2.3 Million

  In the interest of maintaining standard formats and quality of Medicare entitlement and report forms, HCFA supplies beneficiary enrollment and provider cost reporting forms. The use of these forms is essential to beneficiary notification, effective and efficient contractor operations and other program purposes.

C. Experimental Fixed Price Contracts - $72.6 Million

Section 6215 of P.L. 101-239 gives HCFA the authority to experiment with reimbursement to Medicare contractors for service rendered on other than a cost basis. The experimental contracts currently in force are in the fixed-price category. These contracts are awarded for a specific period of time, and the total price changes only through contract modifications to adjust for changes in scope of work. Processed workloads covered by these contracts are expected to be somewhat lower than previously anticipated. Currently there are one Part A and one Part B contractors operating under fixed price contracts.

IV. CONTINGENCY FUNDS - $100.0 Million and $73.0 Million

- A contingency fund is normally requested to permit funding for workload or operating costs not anticipated at the time the budget is formulated. Examples of such costs are those needed to meet greater than budgeted workloads (claims, reconsiderations, reviews, hearings, inquiries, etc.), unanticipated inflation growth, court judgments, postal rate increases, and any other unanticipated changes. In FY 1991, HCFA is requesting a contingency fund of $100.0 million for the Medicare contractor budget.

- An additional $73.0 million is being requested for a separate contingency fund to be used for the costs associated with contractor terminations and consolidations and general OBRA 1989 provisions. Funds will be released from this contingency as terminations and consolidations occur and other OBRA implementation expenses materialize.

  Initially an outlay of $36.5 million of contingency funds is requested to adequately fund the implementation of physician payment reform, MSP data matches and system changes relating to carrier pricing algorithms.

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3. ADMINISTRATIVE COSTS

Authorizing Legislation - Reorganization Act of 1953

	FY 1990 Appropriation	FY 1990 Current Estimate[1]	FY 1991 Estimate	Increase or Decrease
Total Obligations	$324,763,000	$318,775,000	$285,298,000	-33,477,000
Less Trust Fund Transfers	-243,440,000	-243,496,000	-207,971,000	-35,525,000
Less HMO User Fee Collections	-283,000	-283,000	-248,000	-35,000
Total Budget Authority	$ 81,040,000	$ 74,996,000	$77,079,000	+ 2,083,000
Ceiling FTEs	4,017	3,637	3,577	-60
Non-ceiling FTEs	91	91	90	-1
Total FTEs	4,108	3,728	3,667	-61

PURPOSE AND METHOD OF OPERATIONS

The Administrative Costs budget activity provides the necessary operating funds to enable the Health Care Financing Administration (HCFA) to carry out its responsibilities for managing the Medicare and Medicaid Programs.

HCFA staff work to ensure Medicare and Medicaid are programs that both reflect health care cost control innovations and ensure that quality services are provided to beneficiaries. In FY 1991, HCFA staff will continue ongoing efforts and undertake additional initiatives to: (1) reduce Medicare Part B payment growth by reforming physician payment methodology; (2) reduce Medicare and Medicaid program costs through increased fiscal reviews and third party oversight activities; (3) reduce unnecessary regulatory and administrative burdens; (4) expand the Medicaid program to include new categories of eligible persons and services for elderly persons and special groups; (5) enhance maternal and infant services available under the Medicaid program; (6) continue the development of a process for determining effective treatments for improving the health status of beneficiaries; and (7) encourage beneficiary awareness of Health Maintenance Organizations as a cost-effective alternative to the traditional form of fee-for-service health care.

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[1] Reduced by funding for 380 FTEs and their associated costs, which is included in Survey and Certification Revolving Fund Account for display and comparability purposes only. Current Estimate also reflects adjustment due to repeal of Catastrophic legislation.

The funds for the Administrative Costs budget activity are provided through the appropriation of general Treasury funds and transfers from the Federal Hospital Insurance, and the Federal Supplementary Medical Insurance Trust Funds. In addition, user fees collected from Health Maintenance Organizations (HMO) seeking Federal qualification are credited to this appropriation.

Funding levels for the past five fiscal years were as follows:

	Appropriated	Current Estimate[2]
1986.............	$206,565,000	-
1987.............	$226,165,000	-
1988.............	$295,439,000	-
1989.............	$319,878,000	$288,016,000
1990.............	$324,763,000	$318,775,000

RATIONALE FOR FY 1991 BUDGET REQUEST

The FY 1991 Administrative Costs budget request is for $285,298,000 in obligational authority. This budget request provides the necessary resources to enable HCFA to effectively and efficiently administer the Medicaid and Medicare programs. Of the requested $285,298,000, approximately 76 percent is for such fixed costs as personnel compensation and benefits, rent, communications and utilities.

For the most part, object classes were maintained at their FY 1990 current estimate levels adjusted only for inflation and costs associated with required programmatic changes, such as the repeal of the Medicare Catastrophic Coverage Act. The FY 1990 current estimate methodology; (2) reduce Medicare and Medicaid program costs through increased fiscal reviews and third party oversight activities; (3) reduce unnecessary regulatory and administrative burdens; (4) expand the Medicaid program to include new categories of eligible persons and services for elderly persons and special groups; (5) enhance maternal and infant services available under the Medicaid program; (6) continue the development of a process for determining effective treatments for improving the health status of beneficiaries; and (7) encourage beneficiary awareness of Health Maintenance Organizations as a cost-effective alternative to the traditional form of fee-for-service health care.

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[2] Reduced by funding for 380 FTEs and their associated costs, which is included in Survey and Certification Revolving Fund Account for display and comparability purposes only. Current Estimates also reflects adjustment due to repeal of Catastrophic legislation.

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For the most part, object classes were maintained at their FY 1990 current estimate levels adjusted only for inflation and costs associated with required programmatic changes, such as the repeal of the Medicare Catastrophic Coverage Act. The FY 1990 current estimate level reflects the transfer of 380 FTEs and their associated costs to the State Survey and Certification Revolving Fund Account.

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[2] Reduced by funding for 380 FTEs and their associated costs, which is included in Survey and Certification Revolving Fund Account for display and comparability purposes only. Current Estimates also reflects adjustment due to repeal of Catastrophic legislation.

The $285,298,000 budget request, along with $38,104,000 requested for FY 1991 administrative costs to be funded by user fees in the Survey and Certification Revolving Fund Account, would enable HCFA to support its workforce, continue its efforts to upgrade and maintain its management information systems, and enter into contracts that are essential for program reviews and analyses.

o Personnel Compensation and Benefits

A total of $183,657,000 is included in the FY 1991 budget request to fund 3,667 FTEs. This amount comprises almost 64 percent of the FY 1991 Administrative Costs budget request. The request includes costs associated with the FY 1990 and the FY 1991 anticipated pay raises.

o Rent, Communications and Utilities

Included in the FY 1991 budget request is $35,148,000 for rent, communications and utility costs. This represents just over 12 per cent of the FY 1990 Administrative Costs budget request. The largest component of rent, communications and utility costs is space rental. These costs are paid directly to the General Services Administration (GSA). Space rental rates are established by GSA and affect all the buildings occupied by HCFA Staff in Washington, D.C.; Woodlawn, Maryland; and the 10 regional offices. The remaining amounts requested for rent, communications and utility costs are essentially consistent with the FY 1990 current estimate.

o Other Services

The largest component of Other Services pertains to contracts that enhance HCFA's ability to effectively and efficiently carry out its program objectives. These contracts fund such ongoing activities as (1) the validation of medical determinations conducted by Peer Review Organizations; (2) the technical assessment of Health Maintenance Organizations for Federal qualification; (3) beneficiary information programs; (4) Medicare premium billing and collection activities; (5) Medicaid financial management audits and (6) administrative support services.

o Single Site

Recently, the General Services Administration (GSA) received Congressional approval on the prospectus to consolidate HCFA's Woodlawn, Maryland employees into a single site. Therefore, the FY 1991 budget request includes funds for start-up costs associated with this consolidation effort: funds will be required for the installation of a new telephone switching system and for the preliminary design of space and movement of equipment costs. It is unlikely that HCFA staff will occupy any new space in FY 1991. At this time, the total cost of the move has not been determined, since the exact location of this site is still unknown. However, HCFA will require additional funding in future fiscal years for such costs as relocation of existing equipment and furniture, purchasing of new equipment and furniture, and other various expenses associated with the move.

- Automated Data Processing (ADP)

  The FY 1991 budget request includes additional funds for the Agency's ongoing automated data processing requirements. HCFA has placed significant emphasis on increased uses of automated data processing as a means to achieve productivity gains necessary to respond to increased demands being placed upon it and effectively carry out its program responsibilities.

  In recent years, HCFA has purchased a considerable number of microcomputers, word processors, and other equipment. As this equipment is installed, additional costs will be incurred to properly support the telecommunication links between the various data systems, and to maintain adequate maintenance of the equipment. Additional ADP supplies such as disks, ribbons, cables and manuals will be needed as well.

- Project to Redesign Information Systems Management (PRISM)

  The FY 1991 budget request also provides funding for the continuation of HCFA's plan to upgrade its information management system. This effort, which is referred to as the Project to Redesign Information Systems Management (PRISM), is essential if HCFA is to maintain a viable management information system that can support the need for comprehensive, accurate, and timely data for policy development and program management initiatives.

- Advisory Council on Social Security

  The FY 1991 budget request includes funding for HCFA's share of the costs related to the Advisory Council on Social Security. The Council has been given a very broad statutory mandate to study all aspects of Social Security cash benefits and the Medicare program. The Social Security Administration (SSA) and HCFA have been given joint responsibility to provide full support for all council activities.

HEALTH CARE FINANCING ADMINISTRATION
PROGRAM MANAGEMENT

Advisory and Assistance Services

The Health Care Financing Administration (HCFA) plans to use obligational authority of approximately $8,834,000 in FY 1990 and $10,555,400 in FY 1991 for advisory and assistance services. Advisory and assistance services will be required for the following activities:

- To validate the medical determinations of Peer Review Organizations for appropriateness and accuracy, in addition to providing technical expertise.
- To investigate new data sources for use in estimations of national health expenditures, to evaluate the concepts and definitions underlying the national health accounts, and to perform analytical studies on specific aspects of the accounting/ estimation framework to ensure statistical reliability and validity.
- To provide timely information on health care use, costs and characteristics of beneficiaries needed to develop high quality estimates.
- To provide essential information and feedback on various issues such as policy changes, proposed regulations, and implementation of new legislation.

ADVISORY AND ASSISTANCE SERVICES

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION
(Dollars in Thousands)

Account Title and Symbol		FY 1989	FY 1990	FY 1991
Program Management No. 75-0511-0-1-550				
I. Contractual Services				
Individual Experts & Consultants	B.A.	$61.8	$48.8	$61.0
	Oblig.	$244.4	$194.5	$237.5
	Outlays	$239.6	$206.9	$237.3
Studies, Analyses & Evaluations	B.A.	$544.2	$537.6	$548.6
	Oblig.	$2,151.1	$7,440.0	$7,291.9
	Outlays	$2,108.7	$7,916.2	$7,284.6
Management & Professional Support Services	B.A.	$0.0	$0.0	$690.4
	Oblig.	$0.0	$0.0	$2,492.3
	Outlays	$0.0	$0.0	$2,714.1
Engineering & Technical Services	B.A.	$9.3	$119.2	$13.1
	Oblig.	$37.0	$475.0	$51.0
	Outlays	$9.2	$505.4	$50.9
Subtotal	B.A.	$615.4	$705.5	$1,313.1
	Oblig.	$2,432.5	$8,109.5	$10,072.7
	Outlays	$2,357.5	$8,628.5	$10,286.9
II. Personnel Appoinments	B.A.	$40.4	$45.2	$51.4
	Oblig.	$160.0	$308.5	$200.0
	Outlays	$156.8	$191.5	$199.8
III. Advisory Committees	B.A.	$0.0	$104.4	$72.6
	Oblig.	$0.0	$416.0	$282.7
	Outlays	$0.0	$442.6	$282.4
TOTAL	B.A.	$655.8	$855.1	$1,437.1
	Oblig.	$2,592.5	$8,834.0	$10,555.4
	Outlays	$2,514.3	$9,262.7	$10,769.2

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Health Maintenance Organization Loan and Loan Guarantee Fund

Budget for Fiscal Year 1991	Page Number
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Account Summary	4
Rationale for Request	5

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HEALTH MAINTENANCE ORGANIZATION LOAN AND LOAN GUARANTEE FUND

Amounts Available for Obligation

	1989 Actual	1990 Current Estimate	1991 Estimate
Appropriation	$ –	$4,930,000	$ –
Offsetting Collections from:			
Federal Sources	--	–	–
Non-Federal Sources Direct Loan Program			
Interest earned	6,696,000	7,317,000	6,800,000
Repayments	4,250,000	5,964,000	3,700,000
Prepayments	441,000	5,000,000	5,000,000
Adjustments	--	991,000	1,250,000
Unobligated balance, start-of-year	7,864,000	5,722,000	5,694,000
Unobligated balance, end-of-year	-5,722,000	-5,694,000	
Redemption of debt	-5,103,000	-8,228,000	-5,801,000
Total Obligations	$8,426,000	$16,002,000	$16,643,000

HEALTH MAINTENANCE ORGANIZATION LOAN AND LOAN GUARANTEE FUND

Budget Authority by Activity

(Dollars in Thousands)

	1989 Actual	1990 Current Estimate	1991 Estimate
1. Interest paid to private banks (Obligations)	$(106)	$(101)	$(97)
2. Principal paid to private banks (Obligations)	(37)	(42)	(46)
3. Interest payments to FFB (Obligations)	(8,283)	(7,609)	(7,000)
4. Premium payments to FFB (Obligations)	--	(7,000)	(8,000)
5. Principal, defaulted	--	--	--
6. Penalty expense, FFB	--	(250)	(300)
7. Pre-payment of interest penalty	--	(1,000)	(1,200)
TOTAL Budget Authority (Total Obligations)	$(8,426)	$(16,002)	$(16,643)

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HEALTH MAINTENANCE ORGANIZATION LOAN AND LOAN GUARANTEE FUND

Obligations by Object

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Investments and Loans	--	--	--
Interest and Dividends	$16,002,000	$16,643,000	$641,000
Total Obligations	$16,002,000	$16,643,000	+$641,000

HEALTH MAINTENANCE ORGANIZATION LOAN AND LOAN GUARANTEE FUND

Account Summary

		1990 Current Estimate	1991 Estimate	Increase or Decrease
1.	Interest paid to private banks (Obligations)	$101,000	$97,000	-$4,000
2.	Principal paid to private banks (Obligations)	42,000	46,000	4,000
3.	Interest payments to FFB (Obligations)	7,609,000	7,000,000	-609,000
4.	Premium payments to FFB (Obligations)	7,000,000	8,000,000	1,000,000
5.	Principal, defaulted	--	--	--
6.	Penalty expense, FFB	250,000	300,000	50,000
7.	Pre-payment of interest penalty	1,000,000	1,200,000	200,000
	Total Obligations	$16,002,000	$16,643,000	$641,000

Rationale for the Budget Request

The Health Maintenance Organization (HMO) Loan and Loan Guarantee Fund was established as a revolving fund in 1975 with an initial appropriation of $35 million. The Fund served as a mechanism to provide working capital during the initial operating period of an HMO when financial deficits were expected. Direct loans were made to HMOs from the Fund and as made were sold, with a guarantee, to the Federal Financing Bank (FFB) to provide a continuous source of capital for making additional direct loans. The Fund also guaranteed the repayment of loans made by private lenders to HMOs. The last loan commitments were made in FY 1983 and, by law, none could be made after FY 1986.

In 1986, the Administration announced a loan asset sale pilot project as part of its major initiative to reform the management of the Government's credit program which tracked almost $700 billion in direct and guaranteed loans. Subsequently, the Office of Management and Budget (OMB) looked to the Department of Health and Human Services to conduct sales of loans from the health maintenance organizations portfolio (by HCFA) and the medical facility portfolio (by PHS) as part of the Administration's effort.

Previous budget submissions had reflected HCFA's intent to sell its HMO loans by the end of FY 1990. More recently, however, OMB has indicated that this target may have been a little ambitious in light of the complexities surrounding such a sale Government-wide. OMB and the Department will, therefore, be evaluating a variety of marketing options for an FY 1992 sale of HCFA's HMO Loan portfolio.

HCFA anticipates the need for an appropriation in FY 1993 of approximately $5,000,000 to repay the FFB the prepayment penalties and interest payments which will have been accruing.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

SURVEY AND CERTIFICATION REVOLVING FUND

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HEALTH CARE FINANCING ADMINISTRATION

Survey and Certification Revolving Fund

Appropriation Language

There is hereby established in the Treasury of the United States a Revolving Fund. Amounts in the Fund shall be available to the Secretary, without fiscal year limitation, to finance the costs of carrying out Federal and State survey and certification activities under Titles XVIII and XIX of the Social Security Act and activities under section 353 of the Public Health Service Act (42 U.S.C. 263a). Fees authorized by this paragraph and section 353(m) of the Public Health Service Act shall be deposited in and credited to the Fund. Notwithstanding any other provision of law, including but not limited to sections 1903 and 1919(g) of the Social Security Act, the Secretary shall establish and collect annually user fees from all providers and suppliers of services or items requesting certification under Titles XVIII or XIX of the Social Security Act (except clinical laboratories otherwise inspected and certified under section 353 of the Public Health Service Act) and payment thereof shall be made a condition of participation under said Titles. Such fees shall be determined annually in an amount sufficient to cover the estimated full cost of survey and certification activities not otherwise covered by fees collected pursuant to section 353(m) of the Public Health Service Act. These fees shall be collected annually from each provider or supplier, regardless of whether the provider or supplier will be surveyed in the year for which fees are being charged, and fees may be collected through deductions from payments to be made under Titles XVIII and XIX of the Social Security Act. Fees may vary by group or classification of provider and supplier, or by the relative complexity, type, or

estimated cost of planned surveys, based on such considerations as the Secretary deems appropriate. Fees established under this paragraph and section 353(m) of the Public Health Service Act shall be set and collected to maintain a minimum balance in the Fund equal to one month's estimated expenses.

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Language Analysis	Explanation
There is hereby established in the Treasury of the United States a Revolving Fund. Amounts in the Fund shall be available to the Secretary, without fiscal year limitation, to finance the costs of carrying out Federal and State survey and certification activities under Titles XVIII and XIX of the Social Security Act and activities under section 353 of the Public Health Service Act (42 U.S.C. 263a). Fees authorized by this paragraph and section 353(m) of the Public Health Service Act shall be credited to the Fund.	Authorizing language which establishes a revolving fund to finance the inspection programs authorized under the Social Security Act and the Public Health Service Act. This provision also allows for obligations and expenditures to be made and carried from one fiscal year to the next.
Notwithstanding any other provision of law, including but not limited to sections 1903 and 1919(g) of the Social Security Act, the Secretary shall establish and collect annually user fees from all providers and suppliers of services or items requesting certification under Titles XVIII or XIX of the Social Security Act (except clinical laboratories otherwise inspected and certified under section 353 of the Public Health Service Act) and payment thereof shall be made a condition of participation under said Titles.	This provision authorizes the assessment of fees and requires that the payment of the fees be mandatory for facilities requesting program participation.

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Such fees shall be determined annually in an amount sufficient to cover the estimated full cost of survey and certification activities not otherwise covered by fees collected pursuant to section 353(m) of the Public Health Service Act.	This provides that the fees assessed shall fund all activities related to the surveys and certifications, i.e., administrative costs as well as direct survey costs.
These fees shall be collected annually from each provider or supplier, regardless of whether the provider or supplier will be surveyed in the year for which the fees are being charged, and fees may be collected through deductions from payments to be made under Titles XVIII and XIX of the Social Security Act.	This provision allows for the fees to be collected in advance of the actual surveys and certifications, even in a year in which no surveys are conducted. It also provides that the fees may be deducted from payments for services or supplies normally made under the Medicare and Medicaid programs.
Fees may vary by group or classification of provider or supplier, or by the relative complexity, type, or estimated cost of planned surveys, based on such considerations as the Secretary deems appropriate.	This allows the Secretary to exercise discretion in developing the amount of the fees to be assessed.
Fees established under this paragraph and section 353(m) of the Public Health Service Act shall be set and collected to maintain a minimum balance in the Fund equal to one month's estimated expenses.	This provides for a minimum balance to maintained at all times.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION
Survey and Certification Revolving Fund

Amounts Available for Obligation

	1989 Actual 1/	1990 Appropriation	1990 Current Estimate 1/	1991 Estimate 2/
Appropriation..............	$67,122,000	—	$87,061,000	—
Receipts and reimbursements from:				
Trust funds.............	83,116,000	—	110,678,000	—
User fees...............	—	—	—	510,100,000
Subtotal, receipts and reimbursements.....	—	—	—	510,100,000
Total obligations..	$150,238,000	—	$197,739,000	$510,100,000

1/ For purposes of comparability, amounts appropriated to Grants to States for Medicaid and Program Management accounts for survey and certification activities and related administrative costs are displayed here.

2/ FY 1991 Estimate requires legislative action.

Budget Authority by Activity
(Budget authority in thousands)

	1989 Actual FTE	1989 Actual Amount	1990 Appropriation FTE	1990 Appropriation Amount	1990 Current Estimate 1/ FTE	1990 Current Estimate 1/ Amount	1991 Estimate 2/ FTE	1991 Estimate 2/ Amount
1. CLIA inspections								
and contracts		--		--		--		--
(Obligations)		--		--		--		(182,724)
2. Medicare inspections								
and contracts		4,173		--		6,469		--
(Obligations)		(67,258)		--		(97,683)		(175,815)
3. Medicaid inspections								
and contracts		56,762		--		74,548		--
(Obligations)		(56,762)		--		(74,548)		(113,457)
4. Survey and Certification								
Administrative Costs	381	6,187		--	380	6,044	550	--
(Obligations)		(26,218)		--		(25,508)		(38,104)
Total budget authority		67,122		--		87,061		--
(Total obligations)		(150,238)		--		(197,739)		(510,100)

1/ For purposes of comparability, amounts actually appropriated in Grants to States for Medicaid and Program Management accounts for survey & certification and related administrative costs are displayed here.

2/ FY 1991 Estimate requires legislative action.

SURVEY AND CERTIFICATION REVOLVING FUND

Obligations by Object

	1990 Approp.	1990 Current Estimate 1/	1991 Estimate 2/	Increase or Decrease
Total number of full-time permanent positions.............	—	380	550	170
Total compensable work years:				
Full-time equivalent employment....................	—	380	550	170
Full-time equivalent of overtime and holiday hours...	—	3	3	—
Average ES salary...............	—	$69,586	$82,589	13,003
Average GS grade...............	—	11.12	11.12	—
Average GS salary...............	—	$42,427	$44,034	1,607
Personnel compensation:				
Full-time permanent.............	—	$15,787,000	$24,091,000	8,304,000
Other than full-time permanent	—	423,000	646,000	223,000
Other personnel compensation.	=	317,000	465,000	148,000
Total personnel compensation..	—	16,527,000	25,202,000	8,675,000
Personnel benefits................	—	2,210,000	3,373,000	1,163,000
Travel and transportation of persons......	—	483,000	734,000	251,000
Transportation of things.........	—	92,000	139,000	47,000

Obligations by Object

	1990 Approp.	1990 Current Estimate 1/	1991 Estimate 2/	Increase or Decrease
Rent, communications and utilities:				
Rental payments to GSA......	—	$1,433,000	$2,224,000	791,000
Rental payments to others.....	—	58,000	122,000	64,000
Communications, utilities, and miscellaneous charges..	—	1,859,000	2,756,000	897,000
Printing and reproduction.....	—	1,346,000	2,044,000	698,000
Other services..................	—	173,320,000	473,016,000	299,696,000
Supplies and materials.........	—	193,000	326,000	133,000
Equipment......................	—	190,000	164,000	(26,000)
Insurance claims and indemnities....................	—	28,000	—	(28,000)
Total obligations................	—	$197,739,000	$510,100,000	312,361,000

1/ For comparability, amounts appropriated to Grants to States for Medicaid and Program Management accounts for survey and certification activities and related administrative costs are displayed here.

2/ FY 1991 Esimate requires legislative action.

Authorizing Legislation

	1990 Amount Authorized	1990 Approp. 1/	1991 Amount Authorized	1991 Budget Request 2/
Survey and Certification Activities:				
1. Clinical Laboratory Inspections: Public Health Service Act, Title XIII, Section 353	—	—	Indefinite	—
2. Medicare State Certification: Social Security Act, Title XVIII, Section 1864	Indefinite	$6,469,000	Indefinite	—
3. Medicaid State Certification: Social Security Act, Title XIX, Section 1910	Indefinite	$74,548,000	Indefinite	—
4. Administrative Costs: Reorganization Act of 1953	Indefinite	$6,044,000	Indefinite	—
Total Appropriation	—	$87,061,000	—	—

1/ For purposes of comparability, amounts actually appropriated in Grants to States for Medicaid and Program Management accounts are displayed here.

2/ FY 1991 Request requires new authorizing language in order to implement the proposed, user fee–financed Survey and Certification Revolving Fund.

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Justification

Survey and Certification Revolving Fund

	FY 1990 Current Estimate 1/	FY 1991 Estimate	Increase or Decrease
1. Clinical Laboratory Inspections (CLIA)............	—	—	—
(Obligations)................	—	(182,724,000)	182,724,000
2. Medicare Survey and Certification....................	6,469,000	—	(6,469,000)
(Obligations)..................	(97,683,000)	(175,815,000)	78,132,000
3. Medicaid Survey and Certification.....................	74,548,000	—	(74,548,000)
(Obligations)..................	(74,548,000)	(113,457,000)	38,909,000
4. Survey and Certification Administrative Costs..........	6,044,000	—	(6,044,000)
(Obligations)..................	(25,508,000)	(38,104,000)	12,596,000
Total budget authority............	$87,061,000	—	(87,061,000)
Total obligations..................	(197,739,000)	(510,100,000)	312,361,000

1/ For purposes of comparability, includes amounts actually appropriated in Grants to States for Medicaid and Program Management accounts for survey and certification activities.

GENERAL STATEMENT

The Survey and Certification Revolving Fund is being created to finance the Health Care Financing Administration's (HCFA) various health facility inspection programs. It pulls together Medicare survey activities (from the Program Management account) and Medicaid survey activities (from the Grants to States for Medicaid account) and combines them with a new program of laboratory inspections under the Clinical Laboratory Improvement Amendments of 1988 (CLIA 88). It should be noted that the inclusion of existing programs such as Medicare or Medicaid survey and certification in this new account in no way changes the basic structure or intent of those programs. Each will continue to operate as before. What will change within each program is that each will become self-supporting.

The State certification program is an integral part of both the Medicare and Medicaid programs. Providers and suppliers are eligible to be paid for services rendered to Medicare and Medicaid beneficiaries if they receive a certification that prescribed conditions and standards of health safety and quality have been met. Payment is provided only to those providers and suppliers that possess a certification. This process provides assurance to Medicare and Medicaid beneficiaries that products and services offered by certified providers and suppliers will be delivered at an acceptable level of quality.

This Revolving Fund is a new account in HCFA and is different from others in that the costs of its activities are not funded through the Trust Funds or General Fund. Rather, the survey and certification activities which make up this account are to be totally funded through the assessment and collection of user fees.

The need for a revolving fund was created with the passage of H.R. 5471, CLIA 88. One of the more significant provisions of this legislation was that which authorizes the Secretary to charge the laboratories the cost of their inspections and certification. It added that the charges be sufficient to cover all costs involved in surveying the facilities. This means that all administrative costs, as well as the direct survey costs, should be paid by the laboratories, thus making the program completely self-supporting.

Proposal

Starting in FY 1991, Medicare and Medicaid survey and certification activities, including all associated HCFA administrative expenses, will be financed through fees assessed on providers and suppliers requesting certification under Titles XVIII (Medicare) or XIX (Medicaid) of the Social Security Act. This would change the funding source of these activities from the Medicare Trust Funds and General Fund to the providers and suppliers themselves, and would reduce the Federal budget deficit. This self-supporting method of financing Medicare and Medicaid survey and certification also follows the precedent set by CLIA 88.

To accomplish this, the Administration is offering appropriations language which would create a new HCFA Survey and Certification Revolving Fund to serve as the sole source of funding for Medicare and Medicaid survey and certification activities, clinical laboratory inspection and certification activities required under CLIA 88, and associated HCFA administrative expenses. Fees collected annually from Medicare and Medicaid providers and suppliers, together with fees from clinical laboratories, would be deposited in the Fund and would remain available to finance these activities and expenses. No budget authority is being requested for this Fund.

Expeditious approval of the appropriations language is requested to allow the necessary lead time to implement the user fee system, notify providers and suppliers, and collect fees. The Administration is also offering supplemental language for FY 1990 to make available to the HCFA Program Management account any fees collected in FY 1990 from clinical laboratories. Funds will then be available for necessary start-up costs of the user fee system and CLIA 88 inspection program. CLIA 88 specifies that fees be assessed, but is silent on what account should be credited with the receipts. Beginning in FY 1991, these CLIA 88 fees would be deposited in the new Revolving Fund.

This new account will contain the same variety of direct survey activities and contracts necessary to ensure high quality of care in the Medicare and Medicaid programs. The Department will continue to negotiate and enter into detailed annual contracts with State survey agencies to perform most direct survey and inspection activities. Consistent with these contracts and work plans, the Department, through the new Revolving Fund, will reimburse the States for their reasonable costs of Medicare and CLIA 88 survey and certification activities and for the Federal share of their reasonable costs of Medicaid survey and certification activities.

Revolving Fund's Programs

Detailed explanations of the activities which comprise this new account are included further in this justification. Brief outlines of each, however, follow:

- CLIA 88 requires that all laboratories be inspected by the Department and issued a certificate of either compliance or waiver. The amendments strengthen performance requirements for laboratories and extends these requirements to all laboratories, including those in physicians' offices.

- Medicare survey and certification activities are designed to ensure that providers and suppliers of health care services to Medicare beneficiaries meet Federal health quality and safety guidelines. HCFA maintains this program primarily through contracts with individual State agencies which perform the on-site inspections and through follow-up surveys and evaluations by HCFA's regional offices.

- Medicaid survey and certification is similar to the Medicare program. State survey teams inspect Medicaid-only health care facilities to determine compliance with State-developed standards for health and safety.

- Administrative costs include all HCFA personnel and overhead costs associated with the CLIA 88, Medicare, and Medicaid survey and certification activities. These costs incorporate salaries and expenses of FTE in HCFA central and regional offices, contracts necessary to coordinate the billing and collection of fees, and overhead allocations for survey and certification efforts.

1. LABORATORY INSPECTIONS UNDER THE CLINICAL LABORATORY IMPROVEMENT AMENDMENTS of 1988

Authorizing Legislation - Public Health Service Act, Title XIII, Section 353.

	FY 1990 Current Estimate	FY 1991 Estimate	Increase or Decrease
Total Obligations	$ --	$182,724,000	$182,724,000
Less User Fees Collected	--	-182,724,000	-182,724,000
Total Budget Authority	$ --	--	--

PURPOSE AND METHOD OF OPERATIONS

On October 31, 1988, the President signed into law H.R. 5471, the Clinical Laboratory Improvement Amendments (CLIA) of 1988, Public Law 100-578. This law strengthens quality performance requirements under the Public Health Service Act and extends these requirements to all laboratories, including those in physicians' offices and those which participate in the Medicare program independently or as part of a Medicare-certified provider.

Prior to this legislation, only those laboratories which engaged in interstate commerce were required to meet the standards established by the Public Health Service, based on P.L. 90-174, the Clinical Laboratories Improvement Act of 1967 (CLIA 67). A Memorandum of Understanding (MOU) between the Public Health Service and HCFA transferred the inspection and administrative responsibilities for these CLIA 67 laboratories to HCFA. A more recent MOU between the agencies specifies that HCFA shall be responsible for developing any necessary regulations that relate to Medicare and CLIA laboratories.

The CLIA 88 amendments also require that the laboratory inspection program be self-supporting, that is, the laboratories themselves are to pay all costs associated with their inspection and certification.

HCFA has developed revisions to the existing regulations for laboratories regulated under Medicare, Medicaid and the Clinical Laboratory Improvement Amendments of 1967. Current laboratory requirements for these programs have been consolidated in order to simplify administration and unify the health and safety requirements for all programs. The revisions remove outdated, obsolete and redundant requirements, make provision for new technologies, place increased reliance on outcome measures of performance, and emphasize the responsibilities and duties of personnel rather than the formal credentialing requirements and detailed personnel standards in existing regulations.

CLIA 88 combines hospital-based and independent laboratory requirements, and include under the coverage of regulations physician office laboratories (POLs) receiving any referrals. The majority of POLs to date have not been required to comply with formal quality control measures. These revisions will likely increase the universe of Medicare/Medicaid laboratories to be regulated to 312,000.

Similar to the procedures employed in the Medicare State Certification program, HCFA will enter into contracts with individual State agencies to survey laboratories on HCFA's behalf. These State survey agency teams will inspect each laboratory, apply the standards outlined in CLIA 88's provisions, and make several determinations:

- the category of laboratory, based on specific test criteria;
- the appropriateness of issuing a certificate of waiver based on the nature of tests performed;
- the laboratory's compliance or non-compliance with HCFA's standards; and
- whether or not to recommend that HCFA issue a certificate to participate in the program or schedule a follow-up inspection, based on findings of non-compliance.

A contractor will be required to enable HCFA to rapidly assess laboratories' proficiency testing (PT) performance in a uniform manner from State to State across specialties of services and from shipment to shipment. Currently, Medicare and interstate licensed laboratories are required to participate in an approved PT program. State survey agencies are responsible for assuring that laboratories are appropriately enrolled in approved PT programs whose services are commensurate with the laboratories' scope of testing.

Due in large part to public and Congressional concerns, HCFA will continue a separate cytology laboratory proficiency testing and monitoring contract that has been in existence since 1988. Onsite surveys are being conducted in cytology laboratories to evaluate the quality of the service provided; investigate specific complaints; and conduct rescreening of previously reported cytological preparations to determine whether accurate results were reported.

HCFA is currently in the process of preparing all rulemaking necessary to implement the various provisions of CLIA 88. Since CLIA 88 focuses on proficiency testing as a prime measure of laboratory performance, HCFA's regulations will accordingly shift emphasis from rigid personnel and administrative requirements to evaluation of laboratories' testing output through PT assessments. Such reliance on outcome measurements instead of prescriptive process requirements is in concert with current HCFA policies for surveying facilities.

More specifically, one proposed rule will establish three categories of laboratories based on the actual testing performed. The criteria HCFA would use to determine a laboratory's classification are discussed in detail in that proposed rule. It would also establish standards to assure consistent performance by laboratories of valid and reliable laboratory examinations and procedures.

Another, separate, proposed rule would set forth requirements all laboratories must meet in order to apply for and be issued a certificate under CLIA 88. It would also set forth the methodology for determining the amount of the fees for issuing certificates and the proposed fee schedules for determining compliance with the standards of CLIA 88.

These proposed regulations are presently being approved within HCFA and should be published for comment in the Federal Register shortly.

RATIONALE FOR THE BUDGET REQUEST

HCFA estimates that the total cost of surveying and issuing certificates to laboratories under CLIA 88 will be approximately $189,710,000 in FY 1991. This incorporates $182,724,000 required for the actual surveys and related contracts and $6,986,000 for the overall administration of the program. (The administrative expenses are addressed in the Survey and Certification Administrative Costs portion of this account.) Total costs in FY 1992 will be dramatically higher, primarily because the universe of laboratories to be surveyed and certified beginning FY 1992 will be much greater.

CLIA 88's provision for laboratory inspections is effective January 1, 1990 for those laboratories that were subject to existing CLIA legislation (CLIA 67) on December 31, 1988. Laboratory inspections for all other laboratories are effective under CLIA 88 provisions on July 1, 1991.

A huge portion of surveys will be performed in physicians' office laboratories (POL) and in "other participating" laboratories. Some of the latter include:

- end-stage renal disease facilities
- ambulatory surgical centers
- rural health clinics
- insurance laboratories
- city, State and county laboratories

Best estimates to date indicate that there are over 300,000 such POLs and "other participating" laboratories.

To derive the inspection costs to be incurred in FY 1991, HCFA has estimated that it could survey and certify approximately one-fourth of the estimated physicians' office laboratories and "other" participating laboratories in FY 1991. Beginning FY 1992, however, the remaining three-fourths of these laboratories must be addressed, increasing

the costs considerably. HCFA estimates the cost to survey laboratories under CLIA 88 in FY 1992 at over $700 million.

It should be noted again that HCFA is not requesting the funds detailed above. CLIA 88 states explicitly that all costs incurred in its inspection program be paid by the laboratories themselves.

FY 1991
SURVEY AND CERTIFICATION REVOLVING FUND LABORATORY WORKLOAD/FUNDING UNDER THE CLINICAL LABORATORY IMPROVEMENT AMENDMENTS OF 1988 (CLIA) 1/

(Dollars in Thousands)

Facility Type	# Surveys	Unit Cost 2/	Budget
Physician Office 3/	50,000	$ .2	$105,800
Independent	5,112	$ .2	$10,817
CLIA only	200	$ .2	$423
Hospital-based (non-accredited)	1,481	$ .2	$3,134
Other Participating 3/	25,000	$ .2	$52,900
Subtotal	81,793		$173,074
Survey Oversight (75 FTE Regional Offices) (25 FTE Central Office)			$6,986 4/
Contracts (User Fee Administration) (Proficiency Testing Programs) (Cytology Proficiency Testing)			$7,300
Satellite Teleconferencing			$2,350
TOTAL	81,793		$189,710
User Fee	81,793	$ .2	$189,710

1/ These estimates are preliminary.
2/ Based on average unit cost amount; for display purposes only.
3/ User fees for these laboratories are effective 7/1/91. Current estimates indicate approximately 200,000 Physicians' Office Labs; approximately 100,000 Other Participating.
4/ Included in the Administrative Costs section of the Revolving Fund.

2. MEDICARE SURVEY AND CERTIFICATION

Authorizing Legislation - Social Security Act, Title XVIII, Section 1864.

	FY 1990 Current Estimate 1/	FY 1991 Estimate	Increase or Decrease
Total Obligations	$97,683,000	$175,815,000	$78,132,000
Less Trust Fund Transfer	-91,214,000	--	91,214,000
Less User Fees Collected	--	-175,815,000	-175,815,000
Total Budget Authority	$6,469,000	$ --	-$6,469,000

1/ in Program Management appropriation.

PURPOSE AND METHOD OF OPERATIONS

The purpose of the State Certification program is to ensure that institutions and agencies providing health care services to Medicare and Medicaid beneficiaries meet Federal standards for health quality and safety. The State-administered Medicaid survey and certification program is also provided funding and oversight by the Health Care Financing Administration (HCFA). The Medicaid facilities inspection program is detailed a little further in this account.

The Medicare State Certification program has been in existence since 1966 and initially covered only hospital inspections. With the growth of the health care industry (in both services and facilities) since then, Medicare and Medicaid coverage has expanded to include numerous types of providers and suppliers. This increase in providers and suppliers has expanded program activity from inspection of a few thousand hospitals in 1966 to the required oversight of approximately 365,193 diverse health care providers and suppliers by FY 1991.

As a result of frequent Congressional legislation to ensure beneficiary access to quality health care services, expansion in both the number and types of participating providers and suppliers is expected to continue in the future. These factors will challenge Federal and State governments to become increasingly more efficient and to ensure that providers and suppliers meet prescribed health and safety conditions. As part of this process, HCFA

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is committed to identifying those providers and suppliers that are not in compliance with health and safety standards and to ensuring that necessary corrections are made.

An annual agreement, budget, and workplan are negotiated with each State survey agency (generally located within the State Health Department) to perform onsite inspections in accordance with explicit Departmental regulations and HCFA instructions. HCFA-trained State specialists conduct onsite surveys of providers and suppliers to determine eligibility for Medicare program participation.

The Omnibus Budget Reconciliation Act of 1987 (OBRA 87) strengthens HCFA's enforcement capabilities in nursing homes and home health agencies. Standard surveys of these providers will be conducted on an average of once per year. When standard surveys identify instances of substandard care being furnished, extended surveys will be conducted. In addition to extended surveys, sanctions such as a ban on admissions or civil monetary penalties can be imposed to ensure that the facilities come back into program compliance quickly.

If the surveyed provider or supplier is found to have deficiencies, a plan of correction is developed. The majority of providers and suppliers correct the cited deficiencies, thus permitting continued program participation.

As a last resort, HCFA will terminate from program participation those providers and suppliers that refuse to make the needed corrections. The State Certification program has been highly successful in eliminating facilities that fail to maintain key program requirements. For the three year period FY 1986 through FY 1988, there were 3,097 voluntary terminations and 413 involuntary terminations. Voluntary terminations often include providers and suppliers that withdraw from program participation rather than face expulsion. Strong enforcement will continue in the outyears, ensuring that substandard providers and suppliers are eliminated from the program.

To ensure that States are conducting surveys in accordance with explicit criteria and instructions, a pool of a total of 102 Federal surveyors perform random monitoring surveys. These surveyors are strategically distributed among HCFA's 10 regional offices to ensure that each office has a wide variety of surveyor disciplines (such as pharmacy skills, nursing experience, etc.) available. Survey results are provided to States together with technical assistance to implement any recommended improvements to the survey process. HCFA has requested additional staff to increase its complement of Federal surveyors in FY 1991, as the volume of surveys to be conducted will be expanded due to both OBRA 87 and CLIA 88.

RATIONALE FOR THE BUDGET REQUEST

The amount needed in FY 1991 for direct survey activities and related contracts to support and improve the surveys is $175,815,000, an increase of $78,132,000 above the level of support provided in FY 1990. Some of the more significant activities which account for the increases in FY 1991 follow:

- Cost-of-living increases of 4.3 percent are provided. This percentage is derived by utilizing State and Local Purchasing Deflators for all facility types, ($7.7 million);

- Program certification will be expanded to the 845 providers and suppliers expected to request Medicare program participation in FY 1991. Initial surveys are conducted almost immediately upon receipt of application to participate ($3.3 million);

- OBRA 87 provisions will require extended surveys for both nursing facilities and home health agencies found to be providing substandard care during their regular (standard) survey. HCFA estimates 30 percent of the nursing facilities and home health agencies will be subject to an extended survey ($3.9 million);

- OBRA 87 provisions will cause a shift in nursing facilities that currently participate as Medicaid-only. Incentives outlined in these new pieces of legislation will enable Medicaid-only skilled nursing facilities (SNF) and intermediate care facilities (ICF) to become dually-participating Medicare/Medicaid nursing facilities. Significant additional costs will be incurred for the inspection of these 7,677 facilities ($46.2 million);

- For Nursing Facilities (NF): OBRA 87 provides for the development of an appeals hearing mechanism, the imposition of sanctions, and the continued maintenance of a nurse aid registry for NFs. These will result in increased survey times and increased followup time overseeing the application of the various sanctions ($6.2 million);

- For Home Health Agencies (HHA): OBRA 87 also provides for additional conditions of participation, the imposition of sanctions, the development of an appeals hearing mechanism, and continued maintenance of a toll-free hotline for HHAs. This will result in both an increased number of followup surveys, together with additional survey time ($4.8 million);

- o The current recertification coverage levels for hospitals and End Stage Renal Disease facilities is 75 percent and 57 percent, respectively. The remaining facility types (except the smaller, "other" facilities) are subject to a recertification inspection that averages one per year. In order to maintain an aggressive inspection program which ensures quality of care for all beneficiaries regardless of where the care is provided, the minimum recertification coverage level for hospitals and ESRD facilities should be no less that 100 percent for each type ($4.5 million);

- o A non-consultant contract is required for the oversight of the special conditions in the 1,000 psychiatric hospitals that will be certified for participation in the Medicare/Medicaid programs. The increase results from the inclusion of an additional group of providers (serving psychiatric patients under 21), as well as an expanded survey process. The contractor will be responsible for providing qualified mental health consultants, scheduling and conducting surveys, and providing expert technical assistance and consultation to providers, HCFA regional office staff and State agencies ($7.6 million);

Participating Psychiatric Hospitals

1986	1987	1988	1989	1990	1991
515	575	622	669	716	1,000

- o A consultant contract is required to track the assessment and collection of the user fees. This will include billing each facility, collecting the fees and forwarding them to the appropriate component, preparing necessary accounting and reporting systems, etc. ($5.0 million).

MAJOR PROGRAM ENHANCEMENT INITIATIVES

Increase Surveyor Proficiency

The changes in survey methodology for Medicare/Medicaid providers and suppliers, as reflected in provisions of OBRA 87, require highly skilled and trained surveyors. The skills and technical knowledge aspects required of surveyors demand the development of courses that are participatory by design and task-oriented in content. Approximately 32 courses will be conducted which will focus on the consistency in application and the accuracy in interpretation of regulations, policies, and procedures. These include the basic surveyor, laboratory and life safety code courses as well as specialty courses to focus on specific survey activities.

In addition to training State surveyors, HCFA also targets Federal surveyors in regional offices to receive training. This activity ensures both Federal and State surveyors apply survey procedures in a consistent manner.

Improve Survey Data

The survey and certification process and its inherent responsibilities require a data management software system that reflects current technology, is responsive to HCFA's needs, is reliable and accurate, and has analytical capabilities. A software system meeting that description is one that is relationally interactive, i.e., having the capabilities of moving between different data systems, searching for individual items or sorted for selected variances and arrays, and performing basic mathematical computations. A system of this magnitude can play a pivotal role in HCFA's plans to fully automate its monitoring and evaluation functions.

HCFA's specific plans include modifying the current data base to capture more resident specific information and less statistical and deficiency related information. The system will be user friendly and flexible to improve management decisions concerning certification by February, 1990. The information in this data base is used to compile the National Nursing Home Information Release, which HCFA plans to publish and release annually.

To also enhance the current data process, HCFA has implemented a State agency direct data entry initiative which has substantially reduced data entry errors, eliminates unnecessary paper flow, and provides more accurate and timely data. Computer screens are employed to generate certifications, deficiency data, and adverse action requirements. This has allowed HCFA to redirect staff resources and focus oversight activities on consistently poor performers.

Implementation of OBRA 1987 - Survey Process

HCFA entered into a contract with the Institute of Medicine (IoM) to study the full range of nursing home regulatory and enforcement issues and to provide recommendations for changes in the system. The IoM formed a Committee on Nursing Home Regulations consisting of experts in gerontology, consumer advocates, State government officials, and nursing home industry representatives.

The major focus of the study was the overall quality of care and life in nursing homes. This was a distinct change from past studies of nursing homes which characteristically have focused on some aspects of poor care or services. Specific criticisms and recommendations were subsumed within the general context that nursing homes are "homes" as opposed to "institutions", and Federal regulations and enforcement should provide for assuring a broad range of appropriate care and services tailored to the specific needs of residents. The care and services must be directed to both the physical and mental well-being of residents across a broad spectrum of needs, including health care, psychological and social needs.

The IoM made extensive recommendations involving regulations and their enforcement, many of which have been adopted by the Congress and reflected in the Omnibus Budget Reconciliation Act of 1987. As a result, strengthened survey and certification process and enforcement activity will focus on resident outcomes, quality of life and quality of care.

The majority of these provisions are effective October 1, 1990, and the survey process revisions are highlighted as follows:

- States are responsible for certifying compliance with a new set of nursing facility requirements for participation in Medicare/Medicaid. Major new requirements include annual resident assessments, 24-hour nursing coverage, nurses' aide training and pre-admission screening and review for mentally retarded and mentally ill individuals.
- States will conduct certification surveys using a new two-tier protocol (to be developed by the Secretary) consisting of a standard survey and an extended survey.
- States must conduct unannounced surveys at least every 15 months in each nursing home with an average of 12 months or less between standard surveys.
- The Secretary is responsible for certifying compliance for all State nursing facilities.
- The State will be responsible for certifying all private nursing home providers, even those participating in Medicare.
- The requirement that States conduct inspection of care review and physician certification in nursing homes is eliminated.

HCFA will devote the necessary staff time to ensure that these required enhancements to the survey process are implemented as mandated by statute.

Implementation of OBRA 1987 - Enforcement

HCFA is evaluating the effects of OBRA 1987 as they relate to enforcement activities and staff resources will be devoted to the development of the necessary regulations and policies needed to implement these requirements which are highlighted as follows.

HCFA will impose intermediate sanctions on home health agencies (HHA) for deficiencies found which do not jeopardize the health and safety of the individuals receiving services of the agency. In the event the deficiencies pose an immediate threat to the health and safety of the individuals, immediate action will be taken by HCFA to remove the jeopardy and correct the deficiencies through the appointment of temporary management or the termination of the agency's certification.

For long term care facilities, if the deficiencies pose an immediate jeopardy to the health or safety of its patients, HCFA will take immediate action to remove the jeopardy and correct the deficiencies through appointment of temporary management or the termination of the provider's agreement. If the deficiencies do not immediately jeopardize the health or safety of its residents, HCFA will impose, in lieu of termination, specific remedies.

HCFA will devote the necessary staff time to ensure that these required enhancements to the enforcement process are implemented as mandated by statute.

Ensure Optimal State Survey Agency Performance

The Federal oversight role of State survey agency performance will be strengthened through implementation of improved procedures to monitor 1864 Agreements. This will ensure that States perform survey and certification activities in an efficient and effective manner.

HCFA has developed criteria to redirect the monitoring and evaluation of 1864 Agreements to measure a State's performance of survey and certification activities against national standards of performance. Evaluation efforts will involve greater analysis of aggregated data of a State's system with less emphasis on review of individual provider and supplier certifications. The new evaluation process will require specific contract/agreement deliverables and related performance criteria that will be detailed in a new State Agency Evaluation Process (SAEP).

The major Federal oversight activities of the regional office will involve the following:

- Monitoring the State survey agency through a State Agency Data System;
- Federal monitoring surveys;
- Annual negotiation and award of the 1864 Agreement;
- Preparation of annual State report; and
- Enhanced training and policy interpretation to ensure States are consistent in their survey process and enforcement activities.

As part of SAEP, an Onsite Surveyor Performance Assessment and Training Survey (OSPATS) has been designed to allow HCFA regional office staff to measure State agency performance during the survey process. This will enable HCFA to correct and refine the surveyors' methodology and execution precisely when the shortcomings are identified.

Develop, Test and Evaluate a Resident Assessment Instrument for use by Nursing Facilities.

In OBRA 1987, Congress mandated that, effective October 1, 1990, all participating nursing facilities will be required to conduct a comprehensive assessment of each resident upon admission and at least annually thereafter. To ensure that such assessments are as standardized as possible, Congress has mandated that HCFA design and implement one or more instruments that can be used in conducting the resident assessments.

In FY 1988, HCFA awarded a contract to:

(1) Develop, test and refine a resident assessment instrument; and

(2) Evaluate the implementation of the assessment instrument and prepare for the national collection and use of the assessment data.

The assessment instrument will produce comprehensive information on the functional capacities and care needs of each resident. Standard resident assessments will be performed by nursing facilities, and the results will be reflected in a minimum data set which will contain data on the functional status of residents and outcome-based quality-of-care indicators. This initiative will allow for the determination of the appropriate placement of residents and the tracking of an individual's progress, lack of progress or deterioration. This assessment will form the basis of the planning, delivering and revising of the resident's plan of care and should improve the quality of care for residents in Medicare/Medicaid certified nursing facilities.

The standard, longitudinal assessment data in the minimum data set will be useful for HCFA programmatic activities in many ways, including the following:

o for obtaining case-mix information in each nursing facility for use in sampling for survey purposes and for use in reimbursement calculations;

o for obtaining outcome information in each nursing facility for assessment data in resident records; and

o for utilization review to assure that residents meet the eligibility requirements for Medicaid or Medicare.

HCFA's long-range objective is the establishment of a comprehensive data base containing information about all Medicare/Medicaid residents in nursing facilities.

Uniform Needs Assessment Instrument

The Omnibus Budget Reconciliation Act of 1986 provides for the development of a uniform needs assessment instrument for assessing a patient's care needs and planning for post-hospital care. Previously, there has not been a standardized approach to the discharge planning process or uniform criteria that consistently define a patient's need for care. The instrument will include the following highlights:

- Improve the relevance and accuracy of determinations for Medicare home health agencies and skilled nursing facilities.
- Establish a core of information necessary for discharge planning.
- Assist in coordinating planning for care of persons who never enter a hospital, which is the current point of entry to discharge planning for most persons.
- Include methods to ensure consensus on the essential characteristics of beneficiaries and their living circumstances, particularly for home care and patients returning home.

HCFA projects that a uniform needs assessment instrument will be available during FY 1990.

Patient Dumping

The Consolidated Omnibus Budget Reconciliation Act of 1985 requires all participating hospitals with emergency services to provide medical screening examinations and treatment for women in active labor and individuals with emergency medical conditions. Hospitals must also arrange for appropriate transfer of the patient to another medical facility, unless the patient or the legal representative of the patient refuses treatment or transfer. HCFA has developed requirements and definitions to assist State surveyors in their reviews and has vigorously enforced statutory requirements to ensure hospital compliance.

Nursing Home Information Release

In December of 1988, HCFA published the first nursing home information release that provides a wide range of information about nursing homes. In addition to information about resident characteristics and facility performance at the time of the last survey, it includes information about the Federal survey process, State licensure and ombudsman programs, and a special section about where to get more information and what questions to ask in selecting a nursing home. Consumers and others use this information as a basis for further inquiry. HCFA plans to release this type of information annually.

3. MEDICAID SURVEY AND CERTIFICATION

Authorizing Legislation - Social Security Act, Title XIX, Section 1910.

	FY 1990 Current Estimate 1/	FY 1991 Estimate	Increase or Decrease
State and Local Administration	$74,548,000	$113,457,000	+$38,909,000
Less User Fees Collected	–	113,457,000	-113,457,000
Total Budget Authority	$74,548,000	$ –	-$74,548,000

1/ in the Grants to States for Medicaid appropriation.

PURPOSE AND METHOD OF OPERATIONS

The current FY 1991 estimate for this activity is $113,457,000. This represents an increase of $38,909,000 above the current FY 1990 estimate of $74,548,000.

In FY 1991 there will be 5,507 Intermediate Care Facilities for the Mentally Retarded to be surveyed. Another 7,762 Nursing Facilities that previously participated in the Medicaid program exclusively will participate as dually-participating Medicare/Medicaid Nursing Facilities as a result of provisions outlined in the Omnibus Budget Reconciliation Act of 1987 (OBRA 87); therefore, the costs will be shared by Medicare and Medicaid.

The FY 1991 funding level reflects the increased cost of survey and certification activities required by the nursing home reform provisions of OBRA 87, mandatory State cost-of-living increases, an increase in the Federal Financial Participation rate and surveys for an additional 535 facilities requesting program participation.

Highlights of the OBRA 87 requirements include:

- conducting extended surveys to review and identify Nursing Facilities found under the standard survey to have provided substandard levels of care;
- applying a variety of sanctions;

- maintaining a nurse aide training register; and

- reviewing and approving nurse aide competency and evaluation programs.

OBRA 87 also established the Federal matching rate for survey and certification activities at 90 percent for FY 1991, 85 percent for FY 1992, 80 percent for FY 1993, and 75 percent for FY 1994 and thereafter.

4. SURVEY AND CERTIFICATION ADMINISTRATIVE COSTS

Authorizing Legislation - Reorganization Act of 1953, Public Health Service Act, Title XIII, Section 353.

	FY 1990 Current Estimate 1/	FY 1991 Estimate	Increase or Decrease
Total Obligations	$25,508,000	$38,104,000	+$12,596,000
Less Trust Fund Transfer	-19,464,000	--	+19,464,000
Less User Fee Collections	--	-38,104,000	-38,104,000
Total Budget Authority	$6,044,000	$ --	-$6,044,000
Total FTEs	380	550	+170

1/ Reflects FTEs and associated costs in Program Management appropriation.

PURPOSE AND METHOD OF OPERATIONS

The Administrative portion of the Survey and Certification Revolving Fund provides the necessary funds to enable HCFA to carry out its responsibility to ensure that institutions and agencies providing health care services meet Federal standards for health quality and safety. Beginning FY 1991, these activities will be funded from user fees assessed for surveys and certifications conducted under the Clinical Laboratory Improvement Amendments of 1988 (CLIA 88) and the Medicare and Medicaid programs.

RATIONALE FOR THE BUDGET REQUEST

The total level of funding survey and certification administrative costs in FY 1991 is $38,104,000. This amount will enable HCFA to support its workforce (personnel compensation, rents, postage, telephone costs, transportation, travel, supplies, and training) and enter into contracts that are essential for program reviews and analyses associated with HCFA's survey and certification programs.

The level of administrative support needed for each of HCFA's survey and certification activities follows:

o	CLIA 88	$6,986,000
o	Medicare	$24,567,000
o	Medicaid	$6,551,000
	Total	$38,104,000

The FY 1991 Administrative portion of this account is based on funding a level of 550 FTEs. This is an increase of 170 over FY 1990's FTE level and reflects dramatically increased workloads resulting from the required inspections under CLIA 88 and revised survey procedures mandated by OBRA 87.

HEALTH CARE FINANCING ADMINISTRATION
SURVEY AND CERTIFICATION REVOLVING FUND

Advisory and Assistance Services

The Health Care Financing Administration (HCFA) plans to use approximately $1,350,000 in FY 1990 and $750,000 in FY 1991 of obligational authority for advisory and assistance services. Advisory and assistance services will be required for the following activities:

- To develop a surveyor training and test program to enhance the performance and accurately measure the proficiency of a surveyor.
- To evaluate existing survey methodologies and make recommendations regarding most effective survey team composition, size, etc.
- To develop improved survey criteria for determining the effect of drug therapy on patients in nursing homes, psychiatric hospitals, and ICFs/MR.
- To provide essential information and feedback on various issues such as policy changes, proposed regulations, and implementation of new legislation.

ADVISORY AND ASSISTANCE SERVICES

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

(Dollars in Thousands)

Account Title and Symbol		FY 1989	FY 1990	FY 1991
Survey and Certification Revolving Fund No. 75-4421-0-3-551				
I. Contractual Services				
Individual Experts & Consultants	B.A.	$0.0	$0.0	$100.0
	Oblig.	$0.0	$0.0	$100.0
	Outlays	$0.0	$0.0	$95.9
Studies, Analyses & Evaluations	B.A.	$0.0	$0.0	$150.0
	Oblig.	$0.0	$0.0	$150.0
	Outlays	$0.0	$0.0	$143.9
Management & Professional Support Services	B.A.	$0.0	$1,350.0	$500.0
	Oblig.	$0.0	$1,350.0	$500.0
	Outlays	$0.0	$1,056.4	$479.6
Engineering & Technical Services	B.A.	$0.0	$0.0	$0.0
	Oblig.	$0.0	$0.0	$0.0
	Outlays	$0.0	$0.0	$0.0
Subtotal	B.A.	$0.0	$1,350.0	$750.0
	Oblig.	$0.0	$1,350.0	$750.0
	Outlays	$0.0	$1,056.4	$719.4
II. Personnel Appoinments	B.A.	$0.0	$0.0	$0.0
	Oblig.	$0.0	$0.0	$0.0
	Outlays	$0.0	$0.0	$0.0
III. Advisory Committees	B.A.	$0.0	$0.0	$0.0
	Oblig.	$0.0	$0.0	$0.0
	Outlays	$0.0	$0.0	$0.0
TOTAL	B.A.	$0.0	$1,350.0	$750.0
	Oblig.	$0.0	$1,350.0	$750.0
	Outlays	$0.0	$1,056.4	$719.4

New Positions Requested

		FY 1991	
Clinical Laboratory	Grade	Number	Annual Salary
Laboratory Specialist........	GS-13	25	$1,102,300
Laboratory Specialist........	GS-12	75	2,780,925
Survey and Certification			
Long-Term Care Specialist.....	GS-13	9	396,828
Long-Term Care Specialist.....	GS-12	26	964,054
Developmental Disability Specialist..................	GS-13	1	44,092
Developmental Disability Specialist..................	GS-12	3	111,237
Health Home Agencies..........	GS-13	1	44,092
Health Home Agencies..........	GS-12	3	111,237
End-Stage Renal Disease.......	GS-13	1	44,092
End-Stage Renal Disease.......	GS-12	3	111,237
Hospital Specialist...........	GS-13	1	44,092
Hospital Specialist...........	GS-12	3	111,237
Psychiatric Hospital Specialist..................	GS-13	1	44,092
Psychiatric Hospital Specialist..................	GS-12	3	111,237
Sanitarian....................	GS-13	1	44,092
Sanitarian....................	GS-12	3	111,237
Dietician.....................	GS-13	1	44,092
Dietician.....................	GS-12	3	111,237
Life Safety Code Specialist..................	GS-13	1	44,092
Life Safety Code Specialist..................	GS-12	3	111,237
Contract Project Officer......	GS-13	1	44,092
Contract Project Officer......	GS-12	2	74,158
TOTAL		170	$6,604,989

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

PROGRAM MANAGEMENT
Fiscal Year 1990 Supplemental Appropriation

Fiscal Year 1991 Budget	Page Number
Appropriation Language	1
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HEALTH CARE FINANCING ADMINISTRATION

Program Management

Fiscal Year 1990 Supplemental Appropriation Language

All funds collected in fiscal year 1990 in accordance with section 363 of the Public Health Service Act shall be credited to this account, to remain available until expended, for necessary expenses.

1

Language Analysis

Language Analysis	Explanation
All funds collected in fiscal year 1990 in accordance with section 363 of the Public Health Service Act shall be credited to this account, to remain available until expended, for necessary expenses.	This supplemental language authorizes the the crediting of CLIA user fees to the Program Management account, and provides obligational authority without fiscal year limitation for survey and certification activities and related administrative costs. Passage of this supplemental is a requisite proviso of the Administration's FY 1991 Survey and Certification Revolving Fund proposal.

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MONDAY, MARCH 26, 1990.

SOCIAL SECURITY ADMINISTRATION

WITNESSES

GWENDOLYN S. KING, COMMISSIONER OF SOCIAL SECURITY
DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET
JOHN R. DYER, DEPUTY COMMISSIONER FOR MANAGEMENT

INTRODUCTION OF ASSOCIATES

Mr. **NATCHER**. At this time we take up the budget request for the Social Security Administration. We have before the committee Mrs. King. Mrs. King, it is a pleasure to have you before our committee.

Mrs. **KING**. Thank you, very much, Mr. Chairman.

Mr. **NATCHER**. Mrs. King, if anyone asked me to name the three most difficult assignments in the Federal Government in all of the departments, yours would either be one, two or three. HCFA would be one, two or three and there is another I won't name that would be one, two or three.

Yours is a difficult assignment. We are glad to have you before the committee. Tell us who you have with you there at the table.

Mrs. **KING**. Thank you, Mr. Chairman.

I am accompanied this afternoon by Dennis Williams, Deputy Assistant Secretary for Budget at the Department of Health and Human Services and the Deputy Commissioner for Management at Social Security, John Dyer.

Mr. **NATCHER**. We are glad to have you.

OPENING REMARKS

Mrs. **KING**. I only wish you had warned me about the difficulty of this assignment back in August. I would like to submit for the record my full written statement if it is appropriate.

Mr. **NATCHER**. It will be included in its entirety.

Mrs. **KING**. I would also like to call your attention to the charts here on our left, Mr. Chairman, which provide a breakdown of our request.

I would like to take a few minutes to tell you what this budget request means to the agency, for its 42,000,000 beneficiaries and for its 63,000 dedicated employees.

This appropriations request reflects our commitment—President Bush's, Secretary Sullivan's and my own—to a Social Security program that aggressively and effectively fulfills its unique responsibilities to the public—to provide financial support to retirees, to the disabled, to those who have suffered the premature loss of a breadwinner and to economically-disadvantaged elderly, disabled and blind people.

This budget honors the deep wellspring of trust the American people have, for over 50 years, invested in this agency.

Surveys show that the public gives high marks to the service it receives from SSA. I am pleased about that, but I am by no means satisfied.

This budget looks beyond simply the fulfillment of our statutory responsibilities. This request also reflects my goals and objectives for a Social Security Administration that will reach farther and push harder to be an exemplary public service institution and to be an active, caring, effective ally to the people who need the services we provide.

EFFECTS OF STAFFING REDUCTIONS

It achieves those goals and objectives by stabilizing a workforce that has undergone a dramatic downsizing during the past six years, dropping from 80,000 full-time equivalents in fiscal year 1984 to 63,000 today.

That reduction has fulfilled its purpose, saving the taxpayers approximately $2,000,000,000 since 1984, $600,000,000 annually and, thanks to the dedication of the SSA workforce and the wonders of modern technology, service has remained at a high quality level.

But now, Mr. Chairman, I must be candid. As the chart you see indicates, downsizing has been accompanied by a substantial growth in SSA's beneficiary population. Even with our systems enhancements, our workforce is struggling to meet these increasing service demands.

In fiscal year 1991, Social Security's employees will process 6,000,000 new claims, 79,000,000 post-entitlement actions and 256,000,000 annual wage reports, will produce 16,000,000 new Social Security cards, will pay benefits to 42,000,000 people and will answer over 65,000,000 phone calls.

Besides those enormous pressures, we also have work backlogs that must be addressed. Claims workloads, for example, in our Office of Disability Operations are 46 percent higher than they were a year ago at this time. When a workload gets out of control, the volume begins to grow, the processing time for items to be cleared and the age of items in the pending workload increase as well. When this pattern appears, it is an early warning of deterioration in levels of service.

There are signs of this early warning pattern developing in all areas of Social Security's workload. To this point, running at full capacity we have done a good job, keeping pace of the ever increasing workload. But any organization, no matter how committed or resourceful, reaches limits.

This agency has reached its limit and that is why the budget request to provide the tools and resources to do the work is so critical. Without a stabilized workforce, we will have a difficult time eliminating those backlogs, cutting back on pending workloads and maintaining our current level of effective service. With this budget, we can meet today's and tomorrow's growing demands and move forward toward fulfilling the ambitious agenda I believe the Social Security Administration must pursue in the 1990's and beyond.

SSI OUTREACH

This agenda begins with SSI outreach. I must thank you, Mr. Chairman, and your colleague, Mr. Conte, for last year's generous appropriation of $3,000,000 for SSI outreach. SSI has been on the books since the mid-1970's, but hundreds of thousands of elderly, disabled and blind people who are eligible for benefits and not receiving them are a testament to the fact that the program has not worked as well as it should.

I am determined that the agency will not ignore the on-going human need. I have directed personnel in our 1,300 field offices to go aggressively into their communities, to work with local organizations, to find those people who should be receiving SSI benefits. SSA has recently entered into a Memorandum of Understanding with the Administration on Aging to cooperate in this effort, further illustrating the advantage of keeping SSA under the HHS umbrella of agencies that provide "one-stop shopping" to its beneficiaries.

Last year, Mr. Chairman, this committee entrusted SSA with $3,000,000 for SSI outreach demonstration projects. *Federal Register* notices have been published seeking ideas for priority funding directions. The application process will be open next month, and grants and cooperative agreements will be awarded by early September. Projects selected will run for 12 to 18 months.

My goal with this program, and with SSI outreach as a whole, is to put in place in our communities mechanisms that will be there to assist with SSI outreach long after this Commissioner. SSI outreach efforts should not be a passing fancy, but a permanent commitment that will last from Administration to Administration and Congress to Congress.

REPRESENTATIVE PAYEES

And, as we succeed in enrolling eligible people in the SSI program, we are also going to manage an aggressive representative payee program to assist those who need help in handling their benefit payments.

There are people who are at such an advanced age, as well as people who are mentally disabled, who simply are not capable of using those benefit monies to properly care for themselves.

The Social Security Administration is firmly resolved to increase the availability and quality of representative payees, to assure that payees act in the best interests of the beneficiaries and to see that the rights of those who need payees are fully protected.

My agenda for SSA also calls for the opening of even greater access to those who need the services of this agency.

TOLL-FREE TELEPHONE SERVICE

The nationwide "800" number, toll-free telephone system, implemented last October, has increased that access to unprecedented levels. This system is the result of the agency's 20 years of experience with telephone service. It answers a need. People want that additional service option.

Toll-free telephone service also enhances the quality of the face-to-face service our field offices have provided for years. With the telephone network handling a high percentage of relatively routine matters, our local offices can better serve those who choose to visit and have more complex inquiries.

This is a good service, but it's not yet a perfect one. We are taking steps to address some of the problems one would expect of a six-month-old system of this magnitude, particularly with busy signal rates.

We have hired additional teleservice representatives, provided additional overtime, restored on a temporary basis direct local telephone service to over 350 field offices and established an additional "spike" unit to respond to demand on peak calling days. We are producing public service announcements to advise the public on the best times to call in order to get through. We will continue to take additional steps as necessary to improve our ability to deliver prompt, courteous and accurate 12-hour person-to-person telephone service.

ADDRESSING STAFFING IMBALANCES

And, Mr. Chairman, to assure the highest-quality face-to-face service, I have sent special teams to visit our field offices throughout the country. Their mission is to address the serious staffing imbalances the downsizing has created.

Each team carries my personal authority to identify those offices most in need of additional staffing and to provide immediate assistance. I have lifted the freeze on hiring for those offices with the most severe staffing needs and authorized immediate hiring of over 400 new employees for these locations. I am also pleased to note that OMB, working with us and recognizing our need for resources, has released to us $48,000,000 in contingency funds.

INCREASED EFFICIENCY THROUGH TECHNOLOGY

Increased efficiency is a key goal I know we share, efficiency both within the agency as well as the State agencies that make disability determinations on behalf of the Secretary of Health and Human Services.

At SSA, computer modernization has brought with it incredible leaps in efficiency. Today changes in beneficiary records are made in hours, rather than days or weeks.

But technology, if it is to remain effective, must receive continued investment. This budget request includes $240,000,000 that is earmarked to modernize SSA's information systems, make our programmatic software more flexible and responsive to change and ensure adequate computer capacity to meet growing beneficiary workloads. And, perhaps most important of all, this budget will enable us to achieve the backup and recovery capability critical to maintaining the integrity of the data affecting the lives of millions of Americans.

DISABILITY DETERMINATION SERVICES

The funding requested for disability determination services will alleviate the budgetary hardships of the last two years, when they have had no increase, have seen their workyears decrease by 500 and have had to deal with increasing disability claim backlogs.

We simply cannot expect the States to do more, to handle substantial workload increases, without providing additional funding. This request will allow them to streamline their data processing, absorb future workload growth and further improve the quality of their disability determinations.

THE SPIRIT OF PUBLIC SERVICE

Before I conclude, Mr. Chairman, I would like to tell you about one of SSA's 63,000 employees, a claims representative from Mr. Conte's State. His name is Bernie Pont. He was recently recognized by the Office of Personnel Management as one of just six Federal heroes in America, public servants who go well beyond the call of duty.

You see, Bernie does things that don't get written into a job description. He goes from homeless shelter to homeless shelter to track down the recipient of a benefit check. He has lunch in local soup kitchens in Boston to find potential beneficiaries. He spends evenings in hospitals helping AIDS patients, too sick to write, to apply for benefits. He goes to Hispanic community shelters to explain SSA's programs to those who might otherwise not understand.

Bernie Pont is the symbol of what I want the Social Security Administration to be—an agency that will go to any length, that will do whatever must be done, to help other Americans in need.

Mr. Chairman, I believe SSA is doing a good job. But good, as far as I am concerned, is not good enough for SSA. President Bush has submitted a budget that goes far toward making this an agency that reaches its full potential in productivity, quality, responsiveness and compassion. I urge this subcommittee's support for it.

I would be pleased to answer any questions you may have.

[The statement of Mrs. King follows:]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Commissioner of Social Security

on

Fiscal Year 1991 Appropriation Requests

Mr. Chairman and members of the Committee, I am pleased to be here today to present the fiscal year 1991 appropriation requests of the Social Security Administration (SSA). These requests total $20.2 billion in budget authority, and reflect SSA's commitment to fulfill its unique role in assuring the well-being of millions of Americans. First, I would like to summarize the SSA appropriation requests before the Committee:

- $47.0 million for Payments to Social Security Trust Funds. Through this account the trust funds are reimbursed for the costs of certain benefits and administrative expenses chargeable to Federal funds.

- $841.1 million for Special Benefits for Disabled Coal Miners. These funds cover benefit payments and administrative expenses for that portion of the black lung program administered by SSA.

- $15.2 billion for the Supplemental Security Income (SSI) program. This request includes SSI benefits and reimbursement to the Social Security trust funds for the administrative costs of the SSI program.

- $4.2 billion for the Limitation on Administrative Expenses (LAE). This request provides the resources needed to administer the old-age and survivors and disability insurance programs and to perform certain administrative functions for the Medicare program. It also includes resources to administer the SSI program and for combined annual wage reporting for Social Security and Internal Revenue Service purposes. The trust funds subsequently are reimbursed from the general fund for the administrative costs of the SSI program and for the non-trust fund share of annual wage reporting. The LAE account includes about $3.1 billion for regular salaries and expenses, $800 million for State Disability Determination Services, $240 million for automated data processing and telecommunications expenses, and a contingency reserve of $50 million.

SSA Goals and Objectives

Social Security is vested with an enormous public trust. SSA has a direct and important effect on the lives and well-being of millions of Americans. People look to SSA to provide financial support in their retirement years and to protect against the financial hardship that can accompany a disability or the premature death of the household breadwinner. Also, economically-disadvantaged elderly, disabled, and blind people look to SSA for basic, minimum financial assistance. The people we serve can go nowhere else to meet these needs. SSA must ensure that every individual gets the service from this Agency that he or she deserves.

To this end, SSA's budget request supports the three primary goals I have established for the Social Security Administration:

- To serve the public with compassion, courtesy, consideration, efficiency and accuracy;
- To protect and maintain the American people's investment in the Social Security trust funds and to instill public confidence in SSA programs; and
- To create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service.

Human Resources

SSA's business is serving people. Funding sufficient to provide high quality public service is essential for SSA to carry out its mission. Over the past 6 years this Agency has undergone a dramatic downsizing. Full-time equivalent levels have dropped by more than 17,000, from about 80,000 in fiscal year 1984 to just under 63,000 in fiscal year 1990. The employment reductions at SSA over the last 6 years have saved the Government almost $2 billion and continue to save about $600 million annually. At the same time, public demand for service has increased and new technology has been implemented to help meet those demands.

SSA's loyal and dedicated staff have struggled to meet the demands of growing beneficiary and worker populations, adjust to major changes in work processes and strengthen SSA's service delivery. Today, at least 95 percent of all claims for Social Security benefits are processed through the Modernized Claims System, allowing more efficient and timely payments; Social Security numbers are issued in about 10 days, down from 6 weeks just a few years ago; and annual earnings items are posted to workers' records in about 5 months rather than 15 months.

SSA's fiscal year 1991 administrative budget request would stabilize employment at the level needed to support about 63,000 full-time equivalents. We recognize the need for fiscal restraint, and the budget reflects continuing productivity improvement and initiatives to control spending and find more efficient ways to process the Agency's work.

Nationwide Toll-Free Service

In October 1989 SSA implemented nationwide "800" number telephone service, intended to enhance service to the public by providing one toll-free number through which appointments can be made for filing claims and most routine business can be handled very efficiently to completion. The "800" number does not replace local field office service; it adds an option for those members of the public who prefer doing business with SSA by phone. All SSA field offices continue to provide full service, including face-to-face service which people have used for years. With a high volume of simple actions being handled through the "800" number, local offices can better serve the people who choose to visit.

The goal of "800" number service is to be responsive to the public's changing needs for service by providing high quality, efficient and convenient telephone service. Unfortunately, since nationwide implementation last October, we have experienced some problems with busy signal rates. To address this problem we hired additional teleservice representatives; provided additional overtime; restored on a temporary basis direct local telephone service, which had been discontinued, to over 350 field offices; and established an additional "spike" unit designed to respond to demands on peak telephone workload days. These initiatives contributed to some improvement in busy rates. However, January to March is traditionally the highest telephone workload period for SSA and, as expected, call volumes and busy rates were high on certain days during this period.

While we are pleased with the acceptance by the public of the "800" number system, we are by no means complacent. In January and February we also provided callers an option of hearing a recorded message explaining the 4.7 percent cost-of-living increase and how premiums for the repealed catastrophic health insurance program would be refunded. Many callers were seeking only this information and about 1.3 million of them heard the message.

SSA is continuing to monitor and evaluate "800" service and will take additional steps as necessary to provide prompt, courteous and quality telephone service to the public. We will move cautiously and with careful piloting in making changes to improve the "800" number system.

SSI Outreach

SSI outreach is a major priority for this Agency. Across this country, field representatives, claims representatives and service representatives are reaching out to economically disadvantaged elderly, blind and disabled adults and children who could be SSI beneficiaries, but for any of a variety of reasons are not. We are actively seeking to enroll all potentially eligible people, and providing appropriate referrals to related agencies and services.

SSA has initiated enhanced outreach through its local field office structure, with special efforts directed at the homeless. The key SSI outreach efforts focus on working through community organizations, including public agencies such as area Agencies on Aging as well as private groups. We are working to develop more effective public information campaigns and materials; and field offices will actively renew efforts to build partnerships in the community in order to reach potential eligibles, create a positive understanding of the program, and facilitate the application process, which can be extremely intimidating for these the most needy and vulnerable of our citizens.

In addition, advocacy groups and community organizations, as well as State and local agencies, will be involved in demonstration projects, funded through the SSI appropriation, to expand SSI outreach efforts and help SSA identify and locate potential SSI beneficiaries.

Representative Payee Process

SSA also is expanding its efforts to find the best possible representative payees for those beneficiaries with special needs who require help in handling their benefit payments. Beneficiaries should not suffer because of their own limitations and our inability to find qualified volunteers. We will make special efforts to locate payees who have beneficiaries' best interests at heart and will provide for those interests. At the same time that we improve the representative payee application and selection process, we also are improving the annual accounting process and our oversight of volume payees who serve multiple, nonrelated beneficiaries, in order to provide increased protection to Social Security and SSI beneficiaries.

SSA is firmly resolved to do all that is necessary to ensure that well-qualified payees are promptly selected; that payees act in the best interests of the beneficiaries; and that the rights of beneficiaries who need payees are fully protected.

Social Security Trust Funds

I would like to say a few words about the Social Security trust funds. Funds to pay benefits from the Old-Age and Survivors Insurance and Disability Insurance (OASDI) Trust Funds are permanently appropriated, and therefore are not part of the budget requests before this Committee. In fiscal year 1991 we expect to make payments of about $233.5 billion to 35.8 million OASI beneficiaries, and payments of $25.5 billion to 4.2 million DI beneficiaries. Administrative expenses remain a small fraction of the overall trust fund operations.

The budget shows steadily increasing balances in the OASI and DI trust funds, to meet our obligations to tomorrow's elderly and disabled and surviving families, to a level of $299 billion by the end of fiscal year 1991.

I testified before the Senate Finance Committee on the subject of the trust funds and their relationship to the deficit. As I stated to Senator Bentsen and Members of the Committee, as Commissioner I have a unique responsibility to ensure that, to the extent that the overall debate about the deficit incorporates discussion of the trust funds, such discussion enhances and does not erode public understanding of and confidence in the Social Security system.

Maintaining the integrity of the trust funds is one of my major goals. I am also committed to the employees of the Social Security Administration whom I have asked to enter into a partnership with me to ensure the continued efficient operation of this program, one that has paid benefits each month, on time for the past 50 years. We will continue to work together in this partnership to deliver quality public service and to safeguard the Social Security programs for our current and future beneficiaries.

Tools and Technology To Serve the Public

In order for SSA employees to do their jobs in the most effective and efficient manner and continue delivering quality public service now and in the future, they must have the proper automated tools and materiel support. SSA's service delivery is heavily and increasingly reliant on its automated data processing and telecommunications systems, and the cost of just maintaining current operations in these systems continues to increase. We also must continue to invest in technology as a tool to improve the quality of our service, to pay benefits promptly and accurately, to handle claims swiftly, and to administer each of our programs as efficiently as possible. SSA's investments in technology have accomplished a great deal, but there are problems which need to be addressed. SSA's fiscal year 1991 systems budget focuses on these problem areas, including:

- Improving the flexibility of the Agency's programmatic software, to make it more responsive to changes;

- Ensuring adequate computer capacity to meet growing beneficiary workloads and increased online transaction volumes;

- Ensuring adequate security and back-up for SSA's systems, to protect the integrity of the trust funds and SSA's overall operations; and

- Modernizing administrative and management information systems and upgrading outdated and worn out telephone equipment, in order to give SSA employees the tools they need to do their jobs more effectively and serve the public more efficiently.

This budget also supports investments in automated data processing equipment and services for the State agencies which make disability determinations on behalf of the Secretary of Health and Human Services. In recent years the State agencies have improved productivity and quality with little relief in terms of automation. We need to provide them with the automated tools they need to streamline the claims process, reduce repetitive, clerical tasks and absorb future workload growth.

Employee tools are not limited to those associated with the systems budget. This budget request increases funding for critical building maintenance; supplies; replacement of worn out equipment and furniture; printing of forms, internal operational procedures and public information materials; and employee training, to ensure that SSA employees are adequately trained to provide accurate service to the public and that they have a safe and comfortable work environment.

Conclusion

In conclusion, Mr. Chairman, although less than 2 percent of the overall costs for the programs we manage are for administrative expenses, these expenses are critical to the effective delivery of service to our constituents. That is why I am here today to present the President's request for $4.167 billion for the Limitation on Administrative Expenses. These funds are needed to:

- Maintain a stable employment level;
- Support our computer and telecommunications systems on which we have come to depend for efficient and reliable service;
- Maintain our facilities and the other tools our employees need to get their jobs done; and
- Fund costs for our partners in the State Disability Determination Services who make disability determinations on behalf of SSA.

Mr. Chairman, the Social Security Administration needs congressional approval of our full $4.167 billion request for administrative costs if we are to fulfill our mandate and serve the public with efficiency, courtesy and compassion.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Commissioner of Social Security

on

Payments to Social Security Trust Funds

The fiscal year (FY) 1991 appropriation request for Payments to Social Security Trust Funds totals $46,958,000 and covers three general fund payments to the Social Security trust funds.

Special Payments to Certain Uninsured Persons

The request before this committee includes $25,458,000 in FY 1991 to reimburse the Old-Age and Survivors Insurance Trust Fund for special benefits paid during fiscal year 1989 to certain uninsured persons aged 72 years and over. The payments are made to individuals who did not have a chance to work long enough under Social Security to become insured. These beneficiaries, a declining population, were not eligible for regular monthly Social Security benefits, primarily because they retired before enactment of the Social Security Act or before their occupations were covered under Social Security.

The FY 1991 request for Special Payments to Certain Uninsured Persons is $8,510,000 less than the FY 1990 appropriation. The population receiving special payments is a closed group of very aged persons which declines annually. As of September 30, 1989, 11,000 persons were receiving benefits chargeable to the general funds under this provision as compared to 15,000 a year earlier.

Reimbursement for Pension Reform Administrative Costs

Included in this request is a payment of $1,500,000 in FY 1991 to reimburse the Old-Age and Survivors Insurance Trust Fund for the general fund's share of the cost of administering pension reform responsibilities assigned to the Social Security Administration under P.L. 93-406, the Pension Reform Act. The reimbursement is for the cost of furnishing information on deferred vested pension rights to pension plan participants or their survivors.

The request for FY 1991 reflects the ongoing level of activity for pension reform. It is $500,000 more than the FY 1990 appropriation and contains funds for increases in the cost of automation, as well as prior year adjustments.

Unnegotiated Checks

Also included in this request is a payment of $20,000,000 in FY 1991 to reimburse the trust funds for the value of interest on benefit checks that remain uncashed after 6 months. This payment is authorized by section 152 of the Social Security Amendments of 1983 (P.L. 98-21).

The request for 1991 is $137,000,000 lower than the FY 1990 appropriation. Implementation of the Competitive Equality Banking Act of 1987 (P.L. 100-86), effective October 1, 1989, sharply reduces after FY 1990, the need for appropriation authority to reimburse the trust funds. Social Security checks, like other Federal Government checks, will be negotiable for only 12 months from the date of issue. The value of unnegotiated checks issued on or after October 1, 1989, will be credited directly to the trust funds from the Treasury Department's general fund when the checks are cancelled, while interest on the amount of the unnegotiated checks will be funded from this appropriation activity. Before implementation of this new law, the value of the unnegotiated checks, as well as the interest, was paid to the trust funds through this appropriation activity.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Commissioner of Social Security

on

Special Benefits for Disabled Coal Miners

The fiscal year (FY) 1991 appropriation request for Special Benefits for Disabled Coal Miners totals $626,081,000 and is financed from general revenues. The request is in addition to the $215,000,000 which Congress provided last year as a FY 1991 advance appropriation to fund first quarter benefit payments, which brings the total FY 1991 appropriation to $841,081,000. It includes $834,000,000 for FY 1991 benefit payments and $7,081,000 for administrative costs. The request also contains an advance appropriation of $203,000,000 for the first quarter of FY 1992. It does not include reimbursable work done for the Department of Labor, which is budgeted for by that agency.

Program Authorization

The black lung program is authorized by title IV of the Federal Mine Safety and Health Act of 1977, which provides for payment of monthly cash benefits to coal miners who are totally disabled because of pneumoconiosis, commonly referred to as black lung disease, and to widows and certain other dependents of miners who were entitled to these benefits or whose deaths were due to this disease.

Responsibility for Administration

The Social Security Administration is responsible for processing and paying claims for miners benefits filed from December 30, 1969 through June 30, 1973 and claims for survivors benefits filed through December 31, 1973 or within 6 months after the death of a miner or widow already on the beneficiary rolls maintained by SSA. SSA pays benefits and maintains the beneficiary rolls for the lifetime of all persons who filed with SSA during its jurisdiction.

Since June 30, 1973 SSA has continued to take miners' claims--but as an agent of the Department of Labor, which is responsible for adjudication and payment of these claims and which budgets for the benefit payments and administrative costs of the program. Costs incurred by SSA in taking these claims are reimbursed by the Department of Labor.

The beneficiary rolls for which SSA has responsibility will continue to decline gradually in years to come as a result of the death of miners and the death or remarriage of widows. At the midpoint of FY 1991, an estimated 205,000 beneficiaries will be receiving monthly benefits. This is a decrease of 16,000 from the estimated 221,000 beneficiaries who will be receiving payments at the midpoint of FY 1990.

Explanation of Change

The FY 1991 request for benefit payments is $834,000,000--$29,421,897 less than the FY 1990 level. The year-to-year decrease in the appropriation request is due primarily to the continuing decline in the beneficiary population. The President's budget includes a benefit increase of 3.6 percent in January 1990 and a projected 3.5 percent benefit increase in January 1991. These increases are determined by pay increases for Federal civilian employees.

The decrease in total benefits is due to a reduction of $60,000,000 for the lower number of black lung beneficiaries and a reduction of $1,000,000 for slightly lower average monthly payments for beneficiaries in current pay. This is partially offset by an increase of $29,000,000 which results from the effect of the January 1990 and January 1991 benefit increases of 3.6 percent and 3.5 percent respectively, and an increase of $2,578,103 which results from full use of unobligated balances during FY 1990.

Our budget request of $7,081,000 for FY 1991 black lung administrative expenses is $250,000 higher than the current estimate for FY 1990. The increase is attributable to the full year effect of the January 1990 Federal pay raise and the effect of the pay raise projected for January 1991.

Advance Appropriation

The budget request includes an advance appropriation of $203,000,000 for the first quarter of FY 1992. This request ensures that benefit payments will continue without interruption into the next fiscal year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Commissioner of Social Security

on

Supplemental Security Income

The Supplemental Security Income (SSI) appropriation provides funds through direct cash assistance to eligible aged, blind and disabled recipients to help finance their basic needs. The appropriation request for fiscal year (FY) 1991 is $11,998,594,000 in addition to the $3,157,000,000 already appropriated for the first quarter of FY 1991, bringing the total appropriation to $15,155,594,000. This includes $13,913,000,000 for Federal benefits to aged, blind and disabled recipients; $27,717,000 for beneficiary rehabilitation services; $1,212,602,000 for payment to the trust funds and $2,275,000 for research and demonstration projects.

We are requesting an advance appropriation of $3,550,000,000 for the first quarter of FY 1992 to ensure that beneficiaries will continue to receive benefits during the first quarter of FY 1992 in the event of a funding hiatus.

Federal Benefit Payments

The SSI program ensures a minimum monthly level of income to eligible aged, blind and disabled individuals. An individual's income, resources and living arrangements are evaluated in computing the actual amount of SSI payment. Payments are delivered through monthly benefit checks.

The average monthly number of SSI recipients of Federal benefits is projected to increase 1.4 percent from 4,224,000 in FY 1990 to 4,282,000 in FY 1991, an increase of 58,000. This increase is due to projected growth in the number of blind and disabled SSI recipients, partially offset by a slight decrease in the projected number of aged SSI recipients.

The FY 1991 request for Federal benefit payments is $13,913,000,000 or $2,543,000,000 more than the FY 1990 level. The increase is the result of several factors:

- The FY 1990 request reflects 11 monthly payments compared to 12 monthly payments in FY 1991. The higher number of payments is the principal reason for the increase in the amount requested.

- Annualization of the 4.7 percent cost-of-living increase on January 1, 1990 and effect of the 3.9 percent cost-of-living increase projected for January 1, 1991.

- The projected increase in the number of blind and disabled SSI recipients.

- Adjustments for changes in accounting for overpayments. This includes $185,000,000 to reflect the impact of a proposed change in appropriations language to require that all future SSI overpayment collections be deposited to the general fund of the Treasury rather than being used to offset current expenditures, and $700,000,000 to "buy out" outstanding uncollected overpayments. The net effect on the deficit of these proposed technical accounting policy changes is zero.

Beneficiary Rehabilitation Services

SSA provides funds to reimburse vocational rehabilitation agencies for cost-beneficial rehabilitations of SSI recipients and for instances of discontinuation of benefits prior to completion of vocational rehabilitation. For FY 1991 we are requesting $27,717,000 for this activity. This includes $24,800,000 for vocational rehabilitation and $2,917,000 for the referral of SSI recipients with drug or alcohol dependency to treatment programs and monitoring their participation in those programs.

Payment to the Trust Funds

The SSI and Social Security programs are administered on an integrated basis for purposes of economy and efficiency. The Social Security Act authorizes advances from the Social Security trust funds to pay the administrative costs of the SSI program through the Limitation on Administrative Expenses account. The advances are fully repaid from the SSI appropriation by the end of the subsequent fiscal year. SSA maintains a detailed cost allocation system, which has been audited by the General Accounting Office, to ensure that the trust funds are made whole (with interest, if appropriate) for the administrative expenses of the SSI program. The FY 1991 request for this activity is $1,212,602,000.

Research and Demonstration Projects

This activity funds title II and title XVI research and demonstration projects authorized by sections 1110 and 1115 of the Social Security Act. SSA plans to continue its demonstration and research activity, concentrating on SSI outreach and assisting beneficiaries to secure employment. The FY 1991 request for this activity is $2,275,000.

Advance Appropriation

The budget request includes an advance appropriation of $3,550,000,000 for the first quarter of FY 1992. This request insures that benefit payments will continue without interruption into the next fiscal year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Commissioner of Social Security

on

Limitation on Administrative Expenses

The Limitation on Administrative Expenses is a request for authority to spend up to $4,166,974,000 in fiscal year (FY) 1991 from the trust funds for administrative expenses of the Social Security Administration (SSA). From this account, SSA pays for administration of the old-age and survivors and disability insurance programs, the supplemental security income (SSI) program for the aged, blind and disabled, Medicare work performed by SSA and certain other work. For reasons of economy and efficiency, SSA has integrated administration of both trust fund and some nontrust fund programs. The Social Security Act authorizes payment of SSI and certain other nontrust fund administrative expenses from this account, with full reimbursement from general funds in other accounts.

Of the new 1991 budget authority requested, an estimated distribution by activity is as follows:

--$1,237 million for administering the old-age and survivors insurance program,
--$1,362 million for the disability insurance program,
--$199.4 million for SSA's Medicare support functions,
--$1,213 million for administering the SSI program,
--$76.1 million for processing annual reports of earnings,
--$29.8 million for annual SSA purchase contract payments on buildings previously constructed under the purchase contract method of financing, and
--$50.0 million for a contingency reserve.

Included in the first five activities is $240 million in budget authority for automated data processing and telecommunications activities and $800 million for the Disability State Agencies.

Federal Staffing

SSA has budgeted for Federal employment levels consistent with efficient processing of its workloads, about 63,000 full-time equivalents (FTEs). We have projected workyear requirements based on the volume of work SSA expects to process in fiscal years 1990 and 1991. Our budget takes into account the productivity already achieved by SSA's workforce, as well as management, procedural and automation improvements which will affect the time it will take to process work in FY 1990 and FY 1991.

For this account, SSA is requesting 64,466 workyears for FY 1991, an increase of 1,014 workyears from the FY 1990 level of 63,452 workyears. To achieve its overall workyear needs, SSA relies on a mix of FTEs, nonceiling employment and overtime workyears. In FY 1991, we plan to use 62,875 FTEs, 460 workyears of nonceiling employment (principally summer youth employment), and 1,131 workyears of overtime. SSA's LAE workyear and FTE request for FY 1991 is based on our best estimates of the level of resources which will be needed to process expected workloads and continue the Agency's commitment to deliver efficient and accurate service to the public. The workload estimates reflect the following trends and initiatives:

- Normal year-to-year growth in numbers of beneficiaries and claims due to demographic factors.
- Growth in the number of hearings processed, to keep pace with the growing number of hearing receipts and to reduce the number of hearings pending. SSA's budget includes resources needed to continue processing Part A and Part B Medicare appeals.
- An increase in the number of earnings items posted based on projected economic and demographic trends.
- A decline in Social Security number record maintenance.

The budget estimates include savings of nearly 1,400 workyears in FY 1990 and an additional 360 workyears in FY 1991 from management, procedural and systems initiatives. The most significant single item of savings is the phased implementation of the Modernized Claims System for Social Security claims. Through FY 1990 this initiative is estimated to have achieved annual savings of about 3,300 workyears.

Funding for Federal salaries and related costs required to process budgeted workloads and strengthen service delivery increases from FY 1990 to FY 1991 by $264 million. In contrast to SSA's budget requests in recent years which have included significant savings due to planned downsizing, this request reflects increasing costs needed to support level employment. Most of the increase in FY 1991 is due to the following:

- Mandatory payroll cost increases. This includes periodic step increases and promotions, and the annualized effect of the January 1990 Federal pay raise and the effect of the pay raise projected for January 1991.
- Modest increases in overtime.
- Improvement of the work environment and training for SSA employees.
- Building services, including critical repairs deferred from FY 1990; and
- Increases in other essential nonpayroll costs; for example, replacement of worn out equipment, replenishing supplies of printed forms and materials, and increases in travel related to serving our beneficiaries.

Disability State Agencies

The budget request includes $800 million for the Disability State Agencies in FY 1991. State agency workloads increase by 76,000 cases or 3.2 percent. Nationwide, State agencies have made significant productivity improvements, while maintaining high quality disability determinations. The funding necessary to provide support to the State Agencies increases from FY 1990 to FY 1991 by $54 million primarily due to:

- Increased mandatory payroll costs.
- Increased medical costs.
- Increases in other costs (rent, space, etc.) primarily for ADP investments to provide the automated tools needed to absorb future workload growth and further improve productivity and quality.

Automated Data Processing (ADP) and Telecommunications

SSA expects to obligate about $188 million in FY 1990 and $240 million in FY 1991 for the lease and purchase of ADP and telecommunications hardware and software, supplies, and contractual services. Beginning with FY 1989, ITS expenses are funded on an annual basis like the balance of the LAE account. Thus, no funds can be carried over into future years from ITS monies appropriated after FY 1988.

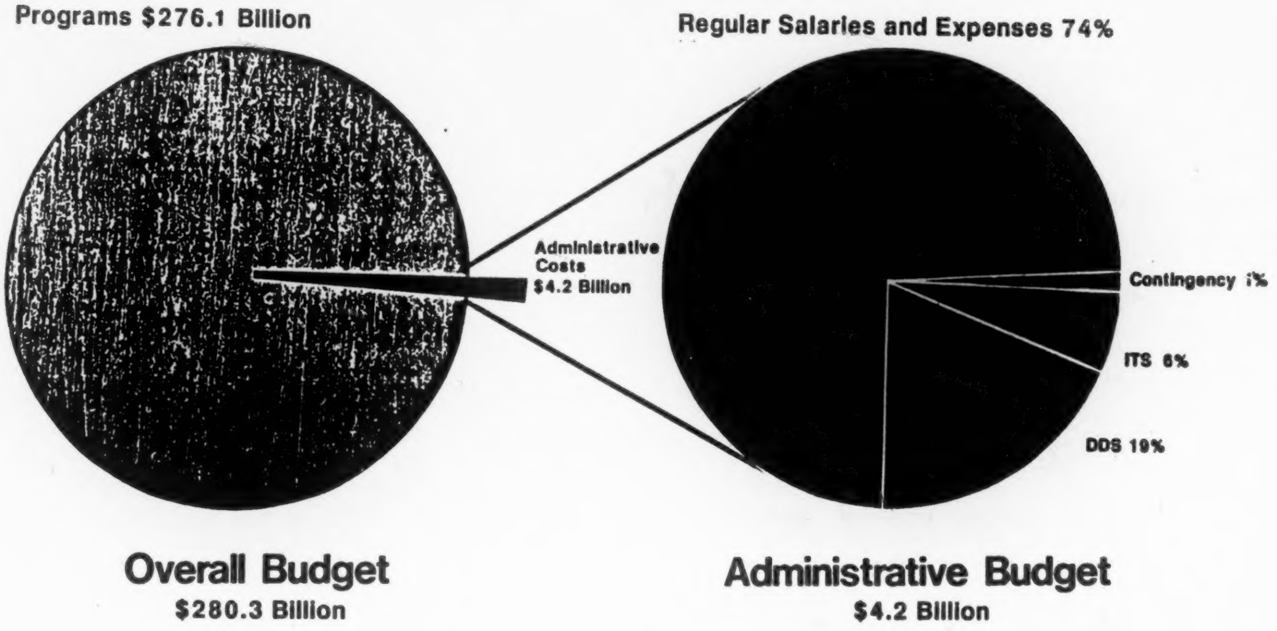
For FY 1991, SSA requests $240 million for ADP and telecommunications funding, of which approximately $192 million will be used to fund ongoing operations and maintenance. The FY 1991 request represents a $60 million increase over FY 1990 ITS funding. A large part of the increase relates to current ongoing ADP/telecommunications activity necessary to maintain current levels of service. Also included in this increase are investments above maintenance of current operations necessary to enhance performance and improve productivity. These enhancements include:

- Systems analysis and software services, including contracts to develop and improve programmatic and administrative software, to build on software improvements already achieved and to develop more responsive software systems.
- Improved management of the "800" number telephone network, and additional lines and stations to stabilize "800" number service in light of increases in demand.
- Adequate computer capacity to handle increasing workloads and online transactions without deterioration in service.
- Contracts for reviews of SSA's financial and control systems and for expert advice on technology and methodologies to ensure systems that will protect the integrity of the trust funds to the greatest extent possible.
- Investments in office automation and management information, to give SSA employees the tools they need to do their jobs effectively.

SSA's FY 1991 budget will help us realize our goals to process budgeted workloads while serving the public with compassion, courtesy, consideration, efficiency and accuracy; and create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission.

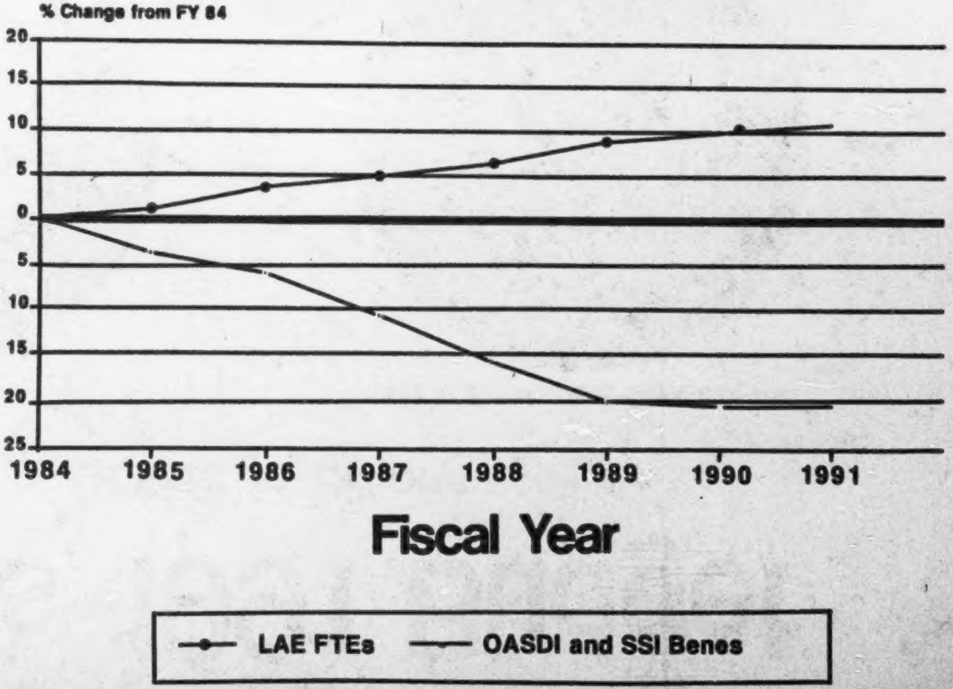
SSA's 1991 Budget

Dollars in Billions



LAE FTEs and OASDI & SSI BENEFICIARIES

Percentage Change from 1984



SSA WORKLOADS

FY 1991

- 6 Million New Claims
- 79 Million Post-Entitlement Actions
- 16 Million Social Security Cards
- 256 Million Annual Wage Reports
- Monthly Benefits to Over 42 Million People
- Over 65 Million Phone Calls

LIMITATION ON ADMINISTRATIVE EXPENSES

Budget Authority: ($ in millions)	FISCAL YEAR 1990	FISCAL YEAR 1991	Change 1991/1990
Regular Salaries/Expenses	$2,813	$3,077	+$264
Information Technology Systems	180	240	+60
Disability Determination Services	746	800	+54
Contingency Reserve	98	50	-48
Total Budget Authority	$3,837	$4,167	+330

DOWNSIZING AT SSA

Mr. NATCHER. Thank you, Mrs. King.

Now, Mrs. King, as you know this committee's jurisdiction over Social Security is focused principally on your administrative budget. This activity has gone through a critical restructuring over the last six years including a 22 percent reduction in staff, a complete redesign and modernization of your computers, and start up of a nationwide, toll-free telephone service.

As a new commissioner, what is your evaluation of the overall impact of these changes on beneficiaries. Mrs. King, are we on the right road? Is it working?

Mrs. KING. Mr. Chairman, Social Security has worked well for over 50 years and it will continue to do so. But as you have noted, over the past six years there has been a downsizing of some 20 percent of personnel at Social Security.

We are currently meeting our obligations to the public, but we are stretched to the limit. We have gone as far as modernization of our systems will allow us. Through a process review where we systematically went from office to office to look at our staffing needs, I am finding out that the 20 percent reduction did not occur evenly across the board in all offices.

Some offices are doing quite well. Some offices are really stretched out. As I travel around and talk to our employees I recognized that we needed to go in and provide them some immediate relief. We have done so most recently, Mr. Chairman, by sending out our strike teams to every region.

They will visit all 10 regions and go to the troubled offices in those regions to be sure we can bring back up to full strength the offices that are currently on hard times. So I think Social Security continues to do well.

Client satisfaction surveys indicate that people are very satisfied with the service that SSA provides. But I must say, part of the reason for our request to add an additional $330,000,000 to our budget this year is to give that relief so that we can continue to do the good job that Social Security is expected to do.

Mr. NATCHER. As I recall now, Mrs. King, in fiscal 1990 our workyears totaled 63,452. Now the budget estimate for 1991 before the committee would be 64,466, is that right?

Mrs. KING. That is correct, for workyears.

REPORT ON SERVICE TO THE PUBLIC

Mr. NATCHER. The committee received an advance copy of the latest report on service levels on Friday afternoon. We will insert that report at the end of today's hearings. In your opinion, Mrs. King, does this report show any significant deterioration in processing times, accuracy or backlogs?

Mrs. KING. Indeed, Mr. Chairman, as I alluded in my opening statement, it unfortunately does. What we have seen is a substantial decrease in pending workloads in our field offices for the retirement and survivors' and health insurance claims but increases of 10 percent in disability insurance claims and increases of 46.5 percent in SSI aged claims.

Also, increases of over 21 percent in our program service center retirement, survivors' and health insurance claims, and a whopping 46 percent increase in the Office of Disability Operations' disability claims.

We are finding, therefore, some processing times are longer. As I said, we have managed to keep pace, but we see all the signs now that the workload is beginning to get away from us as the increasing number of beneficiaries that we saw on the earlier chart along with that downsizing has caused our workforce to push themselves so much harder.

I can assure you that, unless we can now stabilize the workforce at SSA, bring stability, provide the resources, overtime, and training necessary, this will get away from us.

EMPLOYEE MORALE

Mr. NATCHER. Last year the committee was told that morale at the agency was at an all-time low, that most managers thought that services were deteriorating. What can you tell us about employee morale and attitudes, Mrs. King?

Mrs. KING. I recently returned from a trip to Regions 10 and 9, Seattle and California in the Los Angeles area. I observed the employees there. I spoke to a number of them. I am finding that, while there is a tremendous amount of fatigue among our employees, morale is picking up. I think part of the reason for that is that there is a recognition that the work environment is improving with our attempts to stabilize the downsizing, with our infusion of new computer equipment, with our attempts to meet the needs as expressed by our employees, including, Mr. Chairman, our recent plans to provide on-site childcare at the Social Security headquarters in Baltimore County and the building in downtown Baltimore.

I am hearing a tremendous sigh of relief from our employees who felt for a while that nobody cared about their personal concerns. I sent out a survey asking about childcare and asking how many of those parents would be placing a child in a childcare facility on-site by next December. 800 children will be ready for childcare if we can have a childcare facility in place.

I don't know of a childcare facility around that has 800 children. What that demonstrated to me—by the survey results coming in—was the tremendous need for that service.

We are also exploring elder care service because so many of our employees have elderly relatives who live with them and are concerned with leaving them home alone. So we are looking at that possibility. I can tell by the reaction they have to me that morale is turning around.

COST PER BENEFICIARY

Mr. NATCHER. Has the downsizing and computer modernization resulted in a significantly lower cost per beneficiary for administration?

Mrs. KING. Mr. Chairman, the 1991 figures indicate that administrative outlays per beneficiary for OASI and DI are slightly higher than the numbers for 1990, but not so much higher as to be statistically significant.

In 1990 the administrative outlays per beneficiary for the old-age and survivors' insurance program are $49.36. For fiscal year 1991 our estimate is $49.43, a very, very slight increase.

There is a larger increase for disability insurance. The disability insurance outlays for 1990 are $191.47 and in 1991, our estimate is $194.58, up about $3.00. But if you look at where we were in 1983 with disability insurance, and if you look at where we were in OASI in 1983, you can see a lowering of those numbers.

COMMITTEE ON AGING REQUEST

Mr. NATCHER. Mrs. King, as you probably know, the Select Committee on Aging has written our committee recommending that we add $120,000,000 and 4,000 new full-time employees to your 1991 request. Are they right or wrong, Mrs. King?

Mrs. KING. Mr. Chairman, I believe they are very well meaning and concerned about what is happening at Social Security, but let me say this: After our extensive and exhaustive process review and our strike teams going out to the regions and talking to each Regional Commissioner and looking at troubled offices, it is my view that this year and next what we need to do is to focus on bringing a period of stability to Social Security.

By stability I mean stabilizing the workforce at the level of 63,000 employees, making sure they have the training, the resources needed in order to do the job, making sure they have overtime hours if necessary to do the job. One concern about adding so many brand new employees is that it brings with it a cost for training. This is not uncomplicated work.

We are talking about people making decisions about spending money out of the trust funds and we consider our stewardship of that trust fund a sacred trust.

At this point, Mr. Chairman, I would opt for going with the budget the President submitted that provides us some overtime so that our experienced employees can continue to work off the workload backlogs.

Let me assure you that if ever I see a need for increases of that magnitude at some point in the future, you won't have to hear it from my good friend from New Jersey, you will hear it first from me, Mr. Chairman.

I can assure you that the budget the President submitted is sufficient for our needs. It allows us to get our workforce back up to speed, provide training for our people and allows the overtime to work down those backlogs.

ORIGINAL BUDGET REQUEST

Mr. NATCHER. What was your request to the OMB when the agency submitted its original 1991 budget request for the limitation account?

Mrs. KING. Our original submission was $4,178,000,000. In the President's budget we are requesting $4,167,000,000, about the same $4.2 billion level. I must say that last year the SSA budget staff worked overtime to get these numbers down to a reasonable level. That was the first budget that I was involved in, so they really had to start from zero and scrub up every dollar to show me why it was we would need to spend nearly 2 percent of the trust fund dollars that we will be spending next year.

Frankly, I was very pleased that the Office of Management and Budget would agree with us that the level of $4.2 billion was indeed sufficient.

Mr. NATCHER. Within $11 million of the request that you have before the committee?

CONTINGENCY RESERVE

Mrs. KING. Yes, sir. We are recommending, Mr. Chairman, that $50,000,000 for the contingency reserve, instead of the $98,000,000 that was provided for this fiscal year. My sense is that, if we are accurate in making our requests for personnel and administrative costs for information technology and for our State disability determination partners, then $50,000,000 should cover any unplanned expenditures that would be needed throughout the year. So that is the reason for the reduction in the contingency reserve.

Mr. NATCHER. Mr. Conte, I yield to you.

PROPOSALS ADDRESSING TRUST FUND RESERVES

Mr. CONTE. Mrs. King, I want to extend to you our warmest welcome. In the short time you have been commissioner, you have impressed all of us with your dedication, your energy, and your vision. You and I have already done some terrific work with the SSI outreach program.

I think we make a great team. I think we will have many productive projects together down the road. As you know, the President is proposing to eventually exclude the Social Security trust funds from the deficit by setting up a special fund to deposit the annual surpluses. What do you think about the President's proposal and Senator Moynihan's proposal? Of course, Mr. Porter has his and he can come up here and speak for himself.

Mrs. KING. Mr. Conte, the President has proposed, as you noted, to get that deficit down to zero, and then beginning in 1993 through general fund outlays to set up the Social Security Integrity and Debt Reduction Fund.

The reason for that is, if you are building up through outlays, what you will be doing is building up to the amount in the Social Security reserve so that there is a pot of money, if you will, to cover the Social Security investment of our reserves in U.S.-backed securities. It is a sound approach. It is somewhat complicated to try to explain to a lay person, but those of you who have been working with the Social Security trust funds for a long time understand the idea of setting up a trust fund that will be in the black so that our requirement for investing of Social Security dollars in the safest investment in the world today, U.S.-backed securities, will be covered and we can contribute to savings and investment and getting the economy back in shape.

My concern about the proposal from Senator Moynihan is that the immediate effect of cutting back on trust fund dollars collected will be to increase the budget deficit. That is a very, very difficult thing to come to grips with.

As I understand it, part of the reason for that proposal is the frustration that the Social Security trust funds are indeed counted in the overall calculation of the deficit. In my view, Mr. Conte, that is like having a house full of beautiful furniture with a roof that leaks and you try to solve your problem by giving away the furniture.

I said to my good friend, Senator Moynihan, we have to work together to patch the roof. But now we have gotten away from pay-as-you-go. Let's not go back to pay-if-you-can. I remember the trust funds being in trouble at the beginning of 1983 when that bipartisan group made its recommendations to put the Social Security trust funds back on sound financial footing. I don't think we should take a step back.

The baby boomers will be retiring in the near future. When we predict how long the trust funds will be there for people paying into them, we usually are looking at our more optimistic projections, the II-B projections, the lower end of the middle projections. But if we have an economic downturn and tumble into the scenario portrayed by alternative III, we would be in trouble sooner.

Right now the OASI and DI Trust Funds are not scheduled to run out until the year 2046. That is plenty of time for us to make adjustments, to figure out what the 75-year projections would be, but I think the wrong way to go is to cut back.

INVESTMENT OF TRUST FUND RESERVES

Mr. CONTE. I agree. Some of us who voted that way in the 1970's took a lot of heat for doing what we did. We certainly don't want to now deplete the trust funds and find ourselves in the same predicament in another five or 10 years. As it stands, the Administration's plan basically runs a unified budget surplus after 1993 while continuing Gramm-Rudman-Hollings restrictions, the balancing of the non-Social Security side of the budget.

Wouldn't this cause the trust funds to eventually buy up and perhaps exceed all public-held debt? Would interest rates rise? Where then would the trust funds be invested?

Mrs. KING. The scenario you raise is one which has never concerned me, partially because I believe we would do better to continue to ensure that the trust funds are invested safely and not worry so much about trying to put the trust funds into investments that will net more money.

Frankly, I would not want to see the 40,000,000 people who are beneficiaries of the trust funds currently or the 130,000,000 people paying into Social Security currently rise and fall each time Wall Street rises or falls.

So I would suggest that this is the kind of thing we may want to continue to watch. We are expecting the trust funds to grow to about $11.8 trillion under the alternative II-B assumptions. But again I don't think we need to worry at this point about those hypotheticals, Mr. Conte.

Mr. CONTE. I will put questions 6, 7, 9 and 10 in the record related to SSI.

DISABILITY DETERMINATIONS FOR CHILDREN

As you know, the Supreme Court ruled in the Zebley case that SSA must treat children and adults alike in disability eligibility reviews. About 250,000 children who have been rejected for SSI since 1983 can have their cases reopened to see if they qualified. What is being done to implement the new rules? Do you know how many children will qualify retroactively or how many future applicants will qualify under the new rules?

Mrs. KING. Mr. Conte, we are unable to give you a good estimate of the number of children that may come for readjudication. Part of the reason for that is that it has not been decided on how far back the cases would go.

There is some discussion as to whether the class that would be included would go back as far as 1983 or further back to 1977 when apparently SSA first published regulations for childhood disability.

Depending on which date you go back to, the size of the affected class can range anywhere from 300,000 to 560,000 people. So we are looking at a tremendous effort. Already we have put together a childhood disability task force within SSA with instructions to develop an operational plan to implement the court decision as soon as possible.

That is the key, as soon as possible. We would not want one person to suffer any longer. We need to move with all deliberate speed. That task force will oversee and monitor the day-to-day implementation of efforts of all components that would be involved in the entire readjudication process.

You asked about the potential for future impacts. I believe once we get in place the plan and the regulations that will go with it to provide the full range of review for children seeking disability, what we will see is not so much an increase in children applying, but perhaps an increase in those who are approved for their claims.

Frankly, Mr. Conte, if that means that we are doing it better and more fairly, then that is a good thing.

Mr. CONTE. I realize that. This is a very difficult question. You can elaborate for the record.

Mrs. KING. I will be happy to.

[The information follows:]

ZEBLEY COURT DECISION

The Supreme Court's February 20, 1990 decision in *Sullivan* v. *Zebley* requires a functional assessment of each child who applies for disability benefits under SSA's Supplemental Security Income program before SSA can deny a child's claim. This invalidated the existing regulatory standards for childhood disability, under which children had to have impairments that either met the severity criteria of specific listings of impairments, or that were medically equal to listed impairments.

To meet the requirement of a functional assessment, SSA is working as rapidly as possible to prepare new regulations for determining disability in children under age 18. Children ordinarily cannot be evaluated based on their work ability, so we are developing new rules that would be comparable to the rules that refer to assessing work ability in adults.

We have asked experts in the field of childhood disability to assist us in formulating the new regulations. These experts include leading specialists in the areas of evaluation and treatment of disability in children, the study of congenital and genetic disorders, and the assessment and measurement of child development. Also included are experts in pediatrics, child psychology, special education, and rehabilitation.

In addition, SSA is working closely with children's rights advocacy groups as we develop the new rules, and heavily involve them in this effort.

Until the new regulations are in place, SSA is continuing to process childhood cases in an effort to assure that all those claims that can be allowed are processed and paid promptly. We are developing an interim standard for adjudicating pending and new claims until the new regulation is published. Those who cannot be entitled will be told that their claims will be automatically reevaluated after the new regulation is published.

Once the new regulations are in place, we will give the highest priority to making sure that every class member covered by the Court's decision is fully informed of his or her right to reevaluation.

DISABILITY DETERMINATION SERVICES BUDGET

Mr. CONTE. One last question: SSA has a long history of working with State disability determination services. I see that almost 20 percent of your budget goes directly to them. After level funding for the last two years, you are now requesting a $50,000,000 increase. Will this increase permit them to clear up their backlog and provide quality services?

Mrs. KING. Mr. Conte, as you know, I was the former Director of Intergovernmental Affairs at the White House so I have a real sensitivity to our State partners and to their needs.

As you noted, they were held level for two years. The $50,000,000 will go a long way toward meeting payroll costs, State pay raises that they have had to absorb, and an increase of about 200 workyears from the fiscal year 1990 level. It will also provide for increases in medical costs and indirect costs for other support services.

It will provide them with increased investment in automatic data processing materials to allow them to do their jobs more quickly and efficiently. It assumes the 200 workyears will allow them to take care of some of the pending cases at the State level as well.

So I think the $50,000,000 increase will be a relief to our State partners. I believe it is absolutely essential.

Mr. CONTE. Thank you.

Mr. NATCHER. Mr. Early.

ADEQUACY OF THE CONTINGENCY RESERVE

Mr. EARLY. Mrs. King, I find the patching the roof comment interesting. You say that the trust funds will be solvent to 2046. That is the money contributed by the people to the Social Security system.

We don't have the administrative personnel to do what needs to be done. You are here to justify this budget. For the contingency fund, you had $98,000,000 in fiscal year 1990. You had to use that to prevent falling further behind in delivering the services that you did in 1990. Yet, you don't fund it at the same level for 1991.

Mrs. KING. The contingency fund request for $50,000,000 assumes there will be $50,000,000 worth of costs that we cannot yet identify, but recommend that it be set aside in the event workloads increase to the level where we need these funds.

For fiscal year 1990, $98,000,000, as you noted, was set aside in that contingency. But this year already, with the expansion of the "800" telephone number service, with pending workloads, and now with the impending Zebley court decision implementation, we have found a need for $48,000,000 of the contingency fund.

Mr. EARLY. That is my point, Mrs. King. We can stay running in place on Social Security and spend less money when we don't have the outreach you spoke of—like Bernie Pont. I am all for Bernie Pont.

I think the quality of Social Security work may be better than anyone's. But these people are being overworked and overworked, and we are not giving them the tools to meet the expanded workloads that you speak about. You talk about a 46 percent increase in workload for disability; 21 percent for this and 23 percent for that. You have said that this budget is not increasing the personnel.

Mrs. KING. Mr. Early, I would suggest that it is better from my perspective, instead of having a large contingency fund, for us to ask for the $330,000,000 increase in the first category just for the purpose you mentioned, for personnel, and the resources they need to do the job.

I realize that the request for $330,000,000 is a very large one.

INCREASE IN THE ADMINISTRATIVE BUDGET

Mr. EARLY. No, I don't think it is very large, Mrs. King. I never know what this Administration is doing. Sometimes it talks percentage. $330,000,000 is less than 10 percent of what you spent in 1990.

Mrs. KING. Our budget in 1990——

Mr. EARLY. I am looking at your chart, the one on administrative expenses. SSA spent $3,837,000,000. You say you are going to $4,167,000,000. You don't get in to trust funds. When Mr. Natcher mentioned the letter he received from the Aging Committee, you said that you wanted to use more overtime. I don't see that as a responsible approach to management—to provide the services and benefits which Social Security recipients are entitled to.

Mrs. KING. Mr. Early, the overtime, with all due respect, was suggested on my part because, frankly, what it provides me is the ability to pay already experienced claims and service representatives who know the technical work of Social Security. Every decision they make on adjudicating a claim could have an impact on the trust funds.

We really want to make sure that the people doing that work, particularly working off some of the workloads that we have, are the best people to do that.

Mr. EARLY. Mrs. King, I don't buy into that. Is Social Security going to end after one year?

Mrs. KING. No.

Mr. EARLY. It will go on for forever and a day. How can you say we will pay them overtime rather than increasing the number of people you will need each year?

Mrs. KING. Mr. Early, as you know we have just completed our downsizing, a reduction of staffing, in the last six years.

Mr. EARLY. That is the criticism. That is what I think is wrong to say that we are not going to give you administrative expenses for personnel so that the people who are entitled to money get their money.

I don't follow that at all. In my office the staff are the best there are. I get more complaints about Social Security than most anything. People can't get through. They have to wait much longer. We outwait them. We send them home, and old people don't come back. That is not compassionate.

I didn't think I was in favor of Mr. Moynihan's plan, but I am more in favor of it every day if we are not going to promise the funds to do the administrative job that SSA is supposed to do.

Mrs. KING. Mr. Early, we believe the request for the additional money will allow us to stabilize that workforce, to be sure we have the people in place in those offices to do the job.

As you know, the number of beneficiaries has been steadily increasing. We have to stop that lower line on that chart showing a chart decrease in the number of employees.

You suggest, and some of your colleagues have suggested, that we add another 3,000 or 4,000 people. What I am suggesting to you is, as a manager, I cannot justify doing that at this time.

Mr. EARLY. Let me ask you a specific question. How can you want to stabilize the workforce when you say that you have this caseload that is steadily increasing? How do you rationalize giving particular people overtime because they are experienced, but not requesting increased personnel. I don't know if it is the 4,000 number to which Mr. Natcher referred, but I certainly think you need a lot more employees.

Mrs. KING. You have made my point exactly.

By stabilizing I don't mean stopping where we are. I mean looking at where our need is and bringing ourselves up to meet that need. Before we can ask you for additional staffing, we need to find out where that staffing need is. We have undergone an extensive process review which led me to send out the strike teams to each region and to say to them, where are your shortages, where are you hurting, where are the offices that need help right now. Tell us for now, and tell us for long range, four, five, or six months down the road.

When I use the term stabilize I am referring to bringing employment back to that level that we can already identify as being needed.

ADEQUACY OF STAFFING

Mr. EARLY. But that should be increasing. You said there is a 46 percent increase in disability claims, didn't you?

Mrs. KING. I said an increase of 46 percent in disability claims pending in our Office of Disability Operations.

Mr. EARLY. That is what the Social Security Administration deals with, don't they review the claims?

Mrs. KING. Yes, but those are pending workloads. We have work loads that vary and fluctuate all the time. We try to make sure we monitor those, that we manage them and bring them down when we see them getting away from us.

That is the reason we now need to go and find out what we need in each office.

Mr. EARLY. Do we need a study to find out that we need more people?

Mrs. **King**. We need to know where they are needed. It would be irresponsible to sprinkle them around where they are not needed.

Mr. **Early**. You spoke about Bernie Pont and outreach. He is going out and finding out that there are people we are not taking care of. We are not taking care of the people we have now.

Mrs. **King**. We are taking care of them, but not as quickly.

Mr. **Early**. Is that responsible—to not take them as quickly as we have in the past?

Mrs. **King**. That is why I am here with the request for an additional $330,000,000.

Mr. **Early**. You suggested it is a lot of money as if you don't need those 4,000, or whatever number, people to spend some of the money in the trust funds that is the people's money.

Mrs. **King**. What I have attempted to do is present you, to the best of my ability, with a responsible budget based on what we know now. You have my assurance that if we determine that we missed it, that more is going to be needed, we will certainly come back to this committee to let you know that. I think the more responsible approach is that we assure that we are doing the best job.

Mr. **Early**. I think you are doing a good job.

Mrs. **King**. Well, it is not a personal thing. All the people are.

Mr. **Early**. Mrs. King, you are a nice person and you are justifying a budget that is inadequate to spend the money that is in the trust funds—that belongs to the people. You are saying SSA doesn't need new people. You say you are up-to-date with the computer network, *et cetera*. You suggest we need overtime because those are trained people, rather than more on new people.

I would much rather spend money to deliver the services we are supposed to.

Thank you, Mr. Chairman.

NATIONAL "800" NUMBER

Mr. **Natcher**. Mrs. King, as your statement indicated, the new telephone system has gone through a difficult start-up period.

What can you tell us about the current performance of the system both in terms of accessibility and accuracy? How has it worked, Mrs. King?

Mrs. **King**. Mr. Chairman, we had anticipated at Social Security setting up a toll-free system that would receive some 253,000 calls a day.

Since we went nationwide on October 1, on many days callers attempting to reach Social Security exceeded 1,000,000. That means the busy signal rates have simply been very high. Our toll-free service is available from 7:00 in the morning until 7:00 at night.

What we are finding is that most of those calls generally come in on a Monday or Tuesday or on days near to the receipt of a check, the third of the month. Most of those calls come in between the hours of 10:00 and 3:00. So basically from 7:00 in the morning until around 10 o'clock and from 4:00 to 7:00 in the afternoon, fewer calls are received.

One of the things that we did immediately was to add more people to the telephone service centers. The second thing we tried to do was to use our experienced people who are in our processing centers, our benefit authorizers who know these programs, to do a unique kind of job sharing.

In most places when you talk about job sharing, you have two people doing one job. At Social Security it means one person doing two jobs. At the peak time of the day the benefit authorizers put on headsets and take some of those phone calls to relieve the pressure on the teleservice centers.

We are going out with public service announcements to try to alert the public to the best times to call Social Security. We have one that will say, "Have breakfast with Social Security," not that you come into the office but while you are having breakfast at home, pick up the phone. You will get a live person on the phone. It says "Social Security, we are up and running when you are."

On a temporary basis, I had to reconnect over 1,000 telephone lines back into about 350 field offices to relieve some of the pressure. What we are finding out through GAO and the Inspector General's client satisfaction surveys is that people like doing business with Social Security by telephone. I find it particularly interesting that when we look at the big picture, we see 88 percent of the people really want to do business with us by phone. If they are going to do business with us again, they will do it by telephone. That is astounding.

Our advisors from the National Academy of Sciences tell us that will increase.

Mr. NATCHER. Are all beneficiaries given the right to direct phone or walk-in service with their local office if that is what they prefer?

Mrs. KING. Yes. The telephone service is an enhancement. It is not intended to replace any of the field offices we currently have. We have 1,300 of them around the country.

The telephone service was yet another service. The people have the option of writing to us, coming into a field office in their local area, or calling in to us.

TELEPHONE BUSY SIGNALS

Mr. NATCHER. The "800" number system originally had a goal of a 5 percent busy signal. These rates have been as high as 50 percent recently.

What is your current goal and how close are you to meeting it?

Mrs. KING. We have had to revise our busy signal rate goal, Mr. Chairman. We are indeed following a two-track goal at this time. We believe that it will make more sense for us to set realistic goals so that we are not constantly frustrated. We know from experience that we can perhaps reach at some time in the future a 20 percent busy rate goal during peak days and a 5 percent goal during regular days.

Peak days are around the receipt of a check, as well as Mondays and Tuesdays and the month of January which generally is the month in which all the legislative changes kick in and people have a lot of questions.

Mr. NATCHER. Mrs. King, how close are you coming to meeting the goals on the call-in service as far as the busy signal figures that I have just given you?

Mrs. KING. We have ranged with busy signal rates from as high as 80 percent down to as low as 1 percent, Mr. Chairman.

But I would urge you to remember that the nationwide service kicked in on the first of October—nationwide and toll-free so that people would not have to pay long distance to call Social Security. It is not quite six months of operation that we have had experience with this nationwide system. I believe six months is a good time for us to take stock to see where we are.

Part of the busy signal rates we understand already. We need to have an upfront message recorded to alert people a supervisor might be listening in—that is required by statute—until we can print materials that will carry that message. The materials will be printed by the end of this month.

Once we remove the recorded message, we expect the busy rates to go down from there. We also have an executive level work group that will come together quickly following the six month's experience and make additional recommendations to me as to the kinds of things we need to do for future service.

We are really trying to improve service to people. It is somewhat distressing that we have this desire on the part of people who all call in at the same time, but we are working on it. I hope to have a better story for you next time.

Mr. NATCHER. Mrs. King, do you personally consider a 20 percent goal, as you have proposed for 1992, as satisfactory?

Mrs. KING. I consider it realistic for peak days, Mr. Chairman, because I know that on peak days if we are going to have volumes in the neighborhood of 1,900,000 calls, then a 20 percent rate, frankly, is a big improvement over the 50, 60, and 70 percent rates we have experienced so far.

Mr. NATCHER. Are you satisfied with the current workload model which is being used to estimate manpower requirements for the "800" number system?

Mrs. KING. Not at all, Mr. Chairman. I think it was a good attempt. I think in a perfect world it would have made some sense, but this is not a perfect world.

I think the model would have had us locked in at a workyear level of about 3,400 for the teleservice centers. We have been working with 3,900 workyears, and there is real question as to whether that is sufficient.

So the model clearly has some flaws. We have asked the executive level work group to look at it. We have the Chief Financial Officer looking at it. We need to rework that model to bring in some of the variables to make it more realistic.

STAFFING IN FISCAL YEARS 1990 AND 1991

Mr. NATCHER. The personnel numbers in the budget are particularly confusing this year. The justifications indicate that you will fund an additional 1,014 workyears in 1991.

We understand that a portion of this increase will actually now take place in 1990. If you will, now, review for the committee briefly your current staffing proposal for 1991 and how this compares to 1989 and 1990.

Mrs. KING. Our 1991 estimate calls for 62,875 FTE, full-time equivalents. That will translate into about 64,466 workyears.

It does not mean, and I know you know this, Mr. Chairman, 62,875 people. What that means is full-time equivalents. But it does not count people who are part-time who will bring those workyears about 65,000 strong.

For 1990, the original January 1 estimate was 62,365 FTEs compared to the 62,875 for 1991. What we have had to do, realistically, as a result of our process review was to acknowledge that we needed very quickly to begin to staff up to replace some of the losses from the downsizing and to correct the imbalances that took place.

We found that some offices had lost as many as 50 percent of staff while some offices had lost no more than 6 percent of staff over the six-year period. One of the things we wanted to do was to get in very quickly and stop the hurting, if you will, to just provide relief.

With contingency funds we are releasing an additional 400-plus FTEs which causes us to revise our 1990 estimate for FTEs upwards to close to the 62,875 level for 1991. What we hope to do now is to replace, one-for-one, people who will be leaving and to ensure that we stabilize the agency at a level necessary to do the work.

[The following table was submitted to the Committee displaying personnel usage, from 1984 to 1991:]

SOCIAL SECURITY ADMINISTRATION LIMITATION ON ADMINISTRATIVE EXPENSES

[FTE and workyear history]

	FTE's	Workyears
Fiscal year:		
1984	79,951	86,185
1985	77,741	82,131
1986	75,494	78,746
1987	70,784	72,721
1988	66,835	68,558
1989	64,108	65,798
1990 (1990 estimate)	62,365	63,452
1990 (revised estimate)	62,875	64,262
1991 (estimate)	62,875	64,466

Notes.—Revised estimate for fiscal year 1990 is a preliminary assessment based on released of a portion of the $98 million contingency reserve. The numbers for fiscal year 1989 through fiscal year 1991 have been adjusted for comparability for functions transferred to the Office of the General Counsel and the Assistant Secretary for Personnel Administration.

Mr. NATCHER. Do you expect to release the remaining contingency later in 1990, that is your $47,970,000 that remains at the present time?

Mrs. KING. I have already alerted our colleagues at the Office of Management and Budget that we are working very hard to count our workload backlogs so that we can justify what we may need later on in the year. Depending on our ability to efficiently use overtime hours to reduce some of the workloads, we may need to go back to OMB with another request.

There is the understanding with OMB that they will hear from us if that becomes necessary.

Mr. **Natcher**. If you will, insert in the record at this point a 10-year table for the years 1982 through 1991, showing total staffing for the limitation account expressed in FTEs and workyears, actual obligations for administration and administrative expenditures per beneficiary.

[The information follows:]

Full-Time Equivalent (FTE) and Workyear (WY) Staffing Levels, Limitation on Administrative Expenses (LAE) Obligations, Beneficiaries and Cost per Beneficiary for Fiscal Year (FY) 1982 Through FY 1991

FY	LAE FTEs	LAE WYs	Actual LAE Obligations (in thousands)	Beneficiaries (in thousands)		Administrative Outlays Per Beneficiary	
				OASI	DI	OASI	DI
1982	82,000	86,640	$3,070,071	31,804	4,357	$63.37	$180.93
1983	82,483	88,254	3,378,970	31,908	3,917	64.45	222.69
1984	79,951	86,185	3,489,400	32,303	3,813	62.90	196.65
1985	77,741	82,131	3,564,440	32,740	3,830	60.02	194.83
1986	75,494	78,746	3,679,296	33,261	3,937	58.61	184.46
1987	70,784	72,721	3,608,083	33,816	4,011	53.80	217.03
1988	66,835	68,558	3,753,673	34,241	4,060	57.27	224.19
1989	64,108	65,798	3,765,920	34,639	4,088	51.80	197.68
1990	62,365	63,452	3,748,075	35,207	4,147	49.36	191.47
1991	62,875	64,466	4,116,974	35,797	4,206	49.43	194.58

The table reflects numbers (FTEs, WYs, dollars, and average beneficiaries in current pay status) based on actual experience for FY 1982 through FY 1989. For FY 1990 and FY 1991, the figures are estimates from the FY 1991 President's budget request.

Administrative costs per beneficiary reflect trust fund outlays, and are expressed in FY 1991 dollars, using the Consumer Price Index (CPI-W) as an indicator of past costs.

FIELD OFFICE CLOSINGS

Mr. **Natcher**. On Friday, I received your response to my question about the impact of spending plans on office closings. What can you tell the committee about your plans to close or not close offices in 1990 and 1991?

Mrs. **King**. Mr. Chairman, as I said in the letter to you, since September of 1989, one branch office and one resident station have been consolidated with their parent offices. We have a plan to consolidate another branch office later this year, but we have no plans to open or consolidate any other offices.

I think what is important for you and the Members of the subcommittee to understand is that this kind of assessment goes on all the time. We are constantly assessing where we need to consolidate or close or open facilities.

While we have no immediate plans to open any facilities, once we determine that a sufficient number of beneficiaries exists in an area, then we will do that, as well.

I have instructed everyone that any time we have a plan that calls for consolidation of an office or even the closing of an office, that plan be discussed with the Representatives of Congress who represent that area so that they know firsthand what our plans are and that there be no surprises.

As I indicated to you, in fiscal year 1990, two offices, a branch office in Columbia, Mississippi and a resident station in Ridgecrest, California, were consolidated.

Another branch office in the Mobile, Alabama metro area will be consolidated with the larger Mobile field office.

Mr. **Natcher**. Mr. Conte, I yield to you.

Mr. **Conte**. Thank you, Mr. Chairman.

I want to come to your defense. With my good friend, Mr. Early, you don't need it. You did well. I remember last year Dorcas Hardy talking to me and talking to the chairman and was really concerned about the $3.8 billion figure. That was a magic figure.

She said, don't cut me on that. When we marked it up, nobody tried to increase that one dollar. If it was not needed then, you are doing very well by increasing the $330,000,000.

I think you are doing very well. I happened to have been in business myself many years ago. It is tough when you pile in 1,000 employees at one time. You have to be very, very careful.

It is just like with defense and taking out employees. You have to be very, very careful. I have been paying into that fund since 1937. I never collected a nickel. I don't think I will. I don't want you to squander it. Take good care of it.

BENEFIT CESSATIONS

The removal of people off the disability rolls is a concern of mine. There have been a number of problems in the way it was handled in the past. I am glad you take the lead in protecting eligible disabled people from unfair removal.

What is the current status of the disability review process?

Mrs. **King**. Mr. Conte, you will recall that late last year, a story appeared in a major newspaper which suggested that many people were continuing to be mistakenly dropped from the rolls.

Let me assure you that that certainly is not happening now at Social Security. Our Associate Commissioner for Regional Operations sent a message to every regional commissioner to ensure that they understand the importance of following our policy to make sure that local managers reviewed what was going on and that those premature suspensions under the N-20 category did not occur. The Deputy Commissioner for Operations initiated a teletype to the field, instructing them that, not only was he holding them responsible, but that he was insisting that there be a second review any time that category was used.

I personally went on our satellite telecast and spoke to each of our employees to let them know that inappropriate payment suspensions would absolutely not be tolerated.

We have asked our Office of Program and Integrity Reviews to follow up with an unannounced review every month to ensure that that never happens again.

Mr. CONTE. Well, I am glad to hear that.

For the record, are benefit reviews on schedule? What is the current termination rate? Have there been any major difficulties in your efforts so far? Will you put that in the record?

Mrs. KING. I will be happy to.

[The information follows:]

CONTINUING DISABILITY REVIEWS

SSA plans to process approximately 202,000 continuing disability reviews (CDRs) in fiscal year (FY) 1990. For FY 1986 through FY 1989, SSA processed approximately 898,000 CDRs. In FY 1989, the reviews resulted in a cessation rate of approximately 6 percent after all appeals. Several years' experience reviewing continuing disability under the medical improvement standard criteria indicates that further refinement of the dairy categories and review process can be made to permit more effective use of resources.

As a result of our experiences, we are reviewing the criteria for diarying and scheduling CDRs, and exploring an abbreviated process for identifying cases which may not warrant a full medical review, thereby allowing us to devote resources to those cases with the greatest likelihood of medical improvement.

CDR cases will be processed to the extent possible within the budget, and priority will be given to processing the medical improvement expected (MIE) cases. After a State completes its processing of the MIE cases, it will begin processing the medical improvement cases.

BENEFIT CONTINUATION PROVISION

Mr. CONTE. Should the temporary provision allowing the payment of benefits on appeal be made permanent?

Put that in the record.

[The information follows:]

BENEFIT CONTINUATION PROVISION

The benefit continuation provision gives disability beneficiaries who appeal a medical cessation determination the option to elect to have their disability benefits and Medicare coverage continued through the month before the month in which an administrative law judge issues a hearing decision. The additional disability benefits which are paid while the appeal is pending are subject to recovery as overpayments if the disability cessation is affirmed. However, any Medicare benefits paid during this period are not considered overpayments. Since this provision was enacted in January 1983, it has been temporarily extended five times. Legislation would be necessary to keep the benefit continuation provision from expiring on December 31, 1990. We will soon be forwarding to Congress a report on benefit continuation.

CLIENT SATISFACTION SURVEY

Mr. **Conte**. With regard to the "800" number, has the public found this service to be worthwhile, do you think?

Mrs. **King**. I believe so. Just recently, the Inspector General of the Department of Health and Human Services did a client satisfaction survey. Let me just give you some of the results of that survey.

Mr. **Conte**. You can provide that for the record.

Mrs. **King**. Clearly, the public wanted to do business with Social Security by telephone, overwhelmingly.

[The information follows:]

Summary of Client Satisfaction Survey

The latest survey of client satisfaction which was released by the Office of Inspector General (OIG) in February 1990 showed that the overall quality of service continues to be high. Of the respondents, 83 percent indicated that service was "very good" to "good." This is in comparison to the 1989 OIG survey where 79 percent of respondents indicated that service was "very good" to "good" and the 1988 OIG survey where 87 percent of respondents indicated that service was "very good" to "good."

The survey also showed that clients continue to increase their use of telephone service. Of those respondents who contacted Social Security by telephone, 82 percent reported that the quality of service handling their last telephone contact was "very good" to "good." The respondents in this survey, like their counterparts in the four prior surveys, indicated that their preferred future mode of contacting Social Security would be by telephone. For future contacts with Social Security, 67 percent plan to telephone, 30 percent plan to visit, and only three percent plan to write.

Mr. **Conte**. How are you evaluating the effectiveness of the line?

Mrs. **King**. We have continuous reviews going on. We find our Caller Recontact Survey conducted by the Office of Program and Integrity Reviews told us that, of the people they recontacted, 90 percent said the next time they contact Social Security they will do it by telephone.

Our accuracy rate is very high, 97 percent of the responses provided by telephone are accurate.

Mr. **Conte**. That is good.

Mrs. **King**. In about 80 percent of the cases, we are able to complete all the inquiries to conclusion.

Mr. **Conte**. Do you think the "800" number has been a good investment?

Mrs. **King**. I think from the perspective of senior citizens who don't have to go out in the snow with their boots on or in the driving rain to wait for a bus at the bus stop and then go down to the Social Security office to wait until they can be seen, I think it is a great option and a great investment.

I simply would feel so much better if we could get that busy signal rate down to a reasonable level.

I also don't like the idea that they may need us and find that when they call, they may need to call three, four, or five times before they get through.

I think we should continue to perfect it.

INDEPENDENT AGENCY

Mr. **Conte**. Last year's bill has a provision to make SSA an independent agency. The proposal was eventually dropped from the bill.

What do you think of the proposal for making SSA an independent agency and help provide better services to our senior citizens.

Mrs. KING. Absolutely not, Mr. Conte. The whole notion of an independent agency ignores the fact that as a part of the Department of Health and Human Services we are in position to work with our sister agencies within the Department on matters that are very similar—matters, for instance, of Medicare and Medicaid.

We work very closely with the Administration on Aging. We are currently discussing proposals to have some people from the Administration on Aging work out of Social Security offices providing information.

As Secretary Sullivan has said, we have the ability to provide "one-stop shopping" with so many of the components of the Department of Health and Human Services. That is a good thing.

The other thing is that for the past 10 or 15 years, the Congress has worked diligently to ensure that rules and regulations governing all those programs at the Department are in sync with each other, so that in most States today if you are eligible for SSI, you are categorically eligible for Medicaid.

That did not happen by accident. I don't think this is the time to fragment that.

From a selfish perspective, I like the idea as Commissioner of Social Security that if I have a problem with OMB, my secretary who is a member of the Cabinet could take that problem to the President.

If we were an independent agency, we might as well be swinging in the wind. If you don't sit at the Cabinet table, you don't play.

I like the idea that we are represented by the Secretary of Health and Human Services, that we are able to coordinate our activities with other services within that department.

I think the idea to spin it off and fragment it is a terrible mistake.

REFUNDING CATASTROPHIC HEALTH INSURANCE PREMIUMS

Mr. CONTE. Last year's repeal of catastrophic insurance caused turmoil and confusion, especially over the refunds back to the senior citizens.

How far along are you in issuing the refund checks? Are you going to pay interest on it?

Mrs. KING. Mr. Conte, statutorily we cannot pay interest on refunds, but I know you know that.

Mr. CONTE. I know, but I have a bill in.

Mrs. KING. I thought you might.

Our initial estimates were that it would take about five months for us to refund the checks. I was not satisfied with that. So we called in a number of outside experts to sit with us for two days around the clock. Many of those outside experts were arms of this body.

We asked the GAO to participate and the Office of Technology Assessment, along with the Bureau of Standards and private sector people and others.

They came out to Social Security in Baltimore. They sat there and went over every jot and tittle of our computer programs, the 230 different Medicare premium amounts.

They came to the conclusion that if we ran parallel tapes, we could issue refund checks to people in the amounts that we were collecting them.

We presented that idea to the Treasury Department. The Treasury Department charges us $10,000,000 every time they do a mailing for us. They cut and mail the checks. Treasury and we agreed that we would return two checks, one in February which included the refund for January and February, and one in April which included the refund for March and April; two checks of $10.60 apiece, and we would work overtime and as hard as we could to get a corrected check by May.

That process has gone absolutely on schedule. Our first refund check in the amount of $10.60 was refunded in February. The tape for this second check has been sent to the Treasury Department for the mailings.

I was advised last week that the Social Security check payable May 3 will be in the corrected amount. So we think we have accomplished the task without any undue wear and tear on anyone except our software programmers.

I believe the public has an understanding that we did our best.

Mr. CONTE. Thank you, Mrs. King.

Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Early, I yield to you.

LIMITATION ON ADMINISTRATIVE EXPENSES

Mr. EARLY. Mrs. King, the increase from 1990 to 1991 in the limitation on administrative expenses, $265,000,000, $208,330,000, is just the built-in increase; isn't it?

Mrs. KING. Yes, sir.

Mr. EARLY. Given your response to an earlier question about the 62,875 FTEs in the justifications, then SSA is not getting any new people?

Mrs. KING. We are getting new people. We anticipate already 400 new employees this month or next, and for the fiscal year 1991 numbers, the budget shows an additional 375 FTEs.

Mr. EARLY. I thought I heard the response that the FTEs for 1990, with adjustments you made, were 62,875.

Mrs. KING. That is right.

Mr. EARLY. So the request in this 1991 budget, unless this is wrong, is for the same 62,875. The FTEs will not increase from what you have in 1990.

Mrs. KING. From where we are estimating we need to be currently in 1990.

Mr. EARLY. You estimate that SSA is going to be at the same place it's at in 1990, no increase?

Mrs. KING. That is my point. The point is that with the contingency we are going to be adding the 375 FTEs this year and hopefully stabilize the workforce that has been going down for the last six years.

Mr. EARLY. That is the point. I think this request is going to continue to take SSA down. It is not even going to keep SSA stable. That is the point I am trying to make.

Mrs. KING. I would disagree with you. I think if we were not making this budget request, we would be far below that level before we even get to the end of fiscal year 1990.

Mr. EARLY. You have said that you want to serve the public with compassion, courtesy and accuracy, so the Committee on Aging has suggested that you need another 4,000 FTEs. I guess you could make a case for what this suggests; couldn't you?

Mrs. KING. I have not had a chance to talk to Mr. Hughes about where the 4,000 number came from. But I intend to discuss this with him, to let him know exactly what it is we are requiring.

What I would like to try to reach some agreement on, Congressman, is that over the last six years, the 20 percent cut has been a real cut. Downsizing has gone as far as it can in Social Security and that we need to stabilize this workforce.

If we can agree on stabilizing it, then we need to make sure we know where we are putting people so that we are correcting imbalances, because as I said, the downsizing has hit different offices in different places.

Mr. EARLY. Do you think the offices have a surplus of people? There is certainly not any in Massachusetts.

Do you think you have a surplus in any locations?

Mrs. KING. No, I do not have a surplus of people.

Mr. EARLY. You said you sent out strike teams. They are certainly not going to find that the offices are overstaffed.

Mrs. KING. What we are finding is some offices are understaffed to do what they have to do. That is where we are trying to build them up with an initial infusion of 400 people to these offices.

That is the important part of making sure I know that we are putting people where they are needed.

Mr. EARLY. I agree.

You will have the same number of FTEs, and I don't think SSA will be able to fill those slots we need to fill.

Thank you, Mr. Chairman.

MANAGEMENT OF COMPUTER SYSTEMS.

Mr. NATCHER. I understand you recently acquired another new mainframe computer at the Baltimore processing center. Is computer capacity adequate in 1990 and 1991 to handle expected workloads?

Mrs. KING. Mr. Chairman, the request that we have in anticipates that we will need to add to capacity. We have requested $240,000,000 this year for information technology systems. That is an increase over last year's $188,000,000 level.

We will need to continue to modernize our software. We will need to add to our capacity. We will need to replace some aging equipment.

But I must say that of the $240,000,000, again as Mr. Early pointed out, with the other category, about $192,000,000 of that is simply to keep things running, to keep the lines open and to keep us at current levels.

So we are really looking at new initiatives at a level of about $48,000,000.

Mr. **NATCHER**. Maintenance costs, Mrs. King, for these computers continues to increase, as you know. Are you satisfied that these costs are being well managed?

Mrs. **KING**. I am, Mr. Chairman. I am glad that you asked me that question because it gives me a chance to share with you what I consider to be a real loss at Social Security.

Our Deputy Commissioner for Operations, Herb Doggette, has decided to retire. I do not believe we have ever had a finer manager who knew this program and who managed it with integrity. Herb has been able to assure me over the seven months that we have worked together on this program, that wherever he has looked at other similar programs outside of SSA, this program has been far superior to any other program he has looked at. It is massive, as you know.

I only wanted to say that. I trust you will forgive me for putting it on the record without mentioning it to you before hand. He has been such a fine public servant for over 32 years, and I wanted to mention that.

Mr. **NATCHER**. I am glad you mentioned that. It allows me to join with you in saying to Mr. Doggette we want to wish you well for the future. You have been coming to this committee as long as I have been chairman.

Mr. **DOGGETTE**. Thank you.

I have been coming 11 years, Mr. Chairman.

Mr. **NATCHER**. You have established a good record, and we appreciate it.

Now, Mrs. King, what are your long-term projections of major new hardware which may be regarded over the next several years and what will these cost; do you have any idea?

Mrs. **KING**. In terms of computer terminals, we currently have approximately 27,000 TAP terminals or about 7,700 personal computers for our 63,000 employees. We are at about a ratio of two to one. I anticipate that over the rest of this fiscal year and next we are going to try to get a lot closer to our goal of trying to have one terminal for each employee who needs one.

What we are anticipating as far as our spending needs are concerned, is a continual increase for systems investments to keep pace with growing workloads, replace aging equipment and expand automation, probably to the tune of about $295,000,000 during the years 1992 through 1995. Another $300 million investment would be required in 1992 through 1995 to fully expand automated systems.

LISTING LOCAL OFFICE TELEPHONE

Mr. **NATCHER**. Mrs. King, have you as commissioner taken a position on the proposal to place the direct dial number for local offices back into the telephone directories in addition to the "800" number?

Mrs. **KING**. Mr. Chairman, I tried not to be arbitrary in that regard. I thought it would be better for me to actually ask some of our district managers who would have the responsibility of picking up that telephone in their field offices should it ring.

When I asked, I got mixed signals. Because of the imbalances that I have mentioned, some offices felt they would be able to handle the load, and some offices categorically indicated that they would not be able to handle the telephones.

Part of the reason for having the "800" telephone number was to provide some relief by getting those general inquiries handled by phone and freeing up the people in our field offices to handle the more complex matters.

It is very difficult for people sitting across the table from a guest who comes in for services to be interrupted by the telephone three or four times during the interview.

Several of our managers indicated that that would not be to our liking. I understand there is a proposal to require that we present local office telephone numbers in the telephone directories. At this time, Mr. Chairman, only the "800" number is printed in local directories.

But I have instructed the 3,400 teleservice representatives to provide the local telephone number to anyone who calls in and requests it.

SSI OUTREACH ACTIVITY

Mr. NATCHER. Last year Congress directed that not less than $3,500,000 be spent on expanded outreach activities under the SSI program. How much are you actually spending in 1990 and how is this activity being administered?

Mrs. KING. I anticipate that we will spend $3.5 million and more.

We are getting the $3,000,000 provided by this subcommittee. There is an infusion of resources from the Administration on Aging and from the Health Care Financing Administration for our SSI outreach efforts.

We have gone out, Mr. Chairman, with a Federal Register notice. Already we have received back 180 responses to that Federal Register notice indicating priority areas where we might provide community organizations and others with assistance in helping us on our SSI outreach.

We anticipate that actual grants will be made some time in early September. Part of the reason that you will notice we did not request an additional $3.5 million was that we anticipate making grants for a period of 12 to 18 months, depending on the proposals that come in.

So we believe we have sufficient resources to put in place in communities, the beginnings of those outreach efforts and hopefully something that will stay behind for years to come.

Mr. NATCHER. How many additional recipients do you anticipate will be brought on the rolls as a result of this effort?

Mrs. KING. Again, Mr. Chairman, I have tried to be very realistic in making that determination. While I have heard many estimates of people who are eligible for SSI benefits but not receiving them, I believe a reasonable estimate for 1991 would be somewhere in the neighborhood of 25,000 people.

Mr. NATCHER. Mrs. King, what is your current estimate of the number of individuals who are probably eligible for the SSI program but who do not participate for one reason or another?

Mrs. KING. Mr. Chairman, estimates, as you know, are over the place. I don't know that SSA has a better estimate than the ones we have seen from the Villers Foundation or any of the other offices.

We are estimating somewhere in the neighborhood of 30 to 50 percent of the people who are now eligible are not receiving benefits. We have heard anything from 35,000 to 1,000,000 people.

At any given time, that estimate comes and goes. Frankly, if 50 percent of the people who are eligible for benefits are not receiving them, I think that is fertile ground—to get out and find those people.

Mr. NATCHER. Mrs. King put a full statement in the record as to that particular matter.

Mrs. KING. Very well.

[The information follows:]

POTENTIAL SSI BENEFICIARIES

We cannot estimate the number of people who would be eligible for SSI benefits if they applied.

A recent study by Lewin/ICF, Incorporated, funded by the Department of Health and Human Services, estimated that about 65 percent of the aged who are eligible for SSI are participating in the Federal SSI program. If this estimate is correct, just under a million additional elderly people could receive SSI if they applied. The same study also indicated that about 83 percent of benefits are being paid to the eligible population. Therefore, the 35 percent of eligibles who are not participating are eligible for a proportionately small share of benefits. We are not sure how many of the people identified as "potentially eligible" in this study would actually be determined eligible after review of their individual situations. While there may be differences in estimates of the true number of nonparticipants, there is some consensus as to their characteristics. Persons who own their own homes or have earnings, pension income, or private health insurance are less likely to participate. Findings would indicate that the most needy eligible have higher participation rates. In fact, the ratio of total SSI benefits paid to total amount of benefits that persons are eligible to receive is closer to 83 percent.

There are currently no estimates available for potentially SSI-eligible disabled and blind people. And, for potentially eligible people in all categories, we are unable to predict the number who would apply and be determined eligible as a result of intensified outreach activities. We are monitoring our application and awards workloads carefully to see the impact of our outreach activities. From this we will develop future estimates.

CYCLICAL MAILING OF BENEFITS

Mr. NATCHER. Mrs. King, many of your staffing and other service problems are linked to increases in workload which occur at the beginning of the months when all the checks are delivered. Have you considered spacing out your payment cycle throughout the month to better manage this workload?

Mrs. KING. Mr. Chairman, that is a tough one. That is something that we have not considered recently, I will say.

Every time we do a mailing to almost 40,000,000 people, we pay a fee for that since we don't actually mail and cut the checks. The Treasury Department does that. We are charged a flat fee for that.

It is a matter that we would have to try to work out together simply because from their perspective, they have it down to the manner of efficiency where they take our tape, print up the checks, do the mailing, and they are through with us for the month.

That is something I would be willing to pursue further with officials at the Treasury Department. We can provide some additional information for the record, if you would like.

Mr. NATCHER. That will help us.

[The information follows:]

Cyclical Mailing of Benefit Checks

The issue of whether Social Security payments should be issued on a cyclical basis dates back to at least 1941. There are many reasons for this long history of bipartisan interest in payment cycling, including savings to the Treasury Department, the banking industry and the agencies that administer the programs, as well as the potential for greater protection and convenience for recipients of government benefit payments. However, every group and taskforce that has studied the issue, including a 1984 interagency effort sponsored by the Cabinet, has abandoned the idea because of the serious problems associated with it.

Essentially, two basic approaches have been studied over the past 5 decades. The first is a "whole file" approach that would change the payment date for most of the 43 million beneficiaries who now receive Social Security benefits. Beneficiaries would be assigned different dates through some established formula (e.g., the last digit of their Social Security number). The other option is to adopt the strategy of a longer phase-in period by assigning payment dates throughout the month only to newly entitled beneficiaries.

Both approaches have their advantages and disadvantages. Stated briefly, the principle advantage of cycling is that it would distribute throughout the month payment-related workloads for SSA, Treasury, and the financial community. The most serious disadvantage associated with the whole-file method is the disruption of household budgets that would occur if Congress were to change the traditional third of the month payment to multiple payment dates. The second problem is the adverse impact such a change would have on the Social Security trust funds. In the change-over month, it would be necessary to issue beneficiaries either a partial or whole benefit to ensure they do not suffer economic hardship. Depending on the cycle schedule that would be adopted, the cost to the trust funds of accelerated outlays may be as much as $5 billion.

The trust funds would actually gain $0.5 billion over a 5-year period if cycling were limited to new beneficiaries. However, it will take more than a decade before Social Security payments are evenly distributed throughout the month. Further, we anticipate that multiple payment dates will actually increase our field office workloads with complaints from new beneficiaries who feel they are receiving unequal treatment in that they have to "wait" for their benefit. We also anticipate an increased number of nonreceipt allegations that will arise because beneficiaries are confused over when payments may be expected.

My staff has contacted both the Treasury Department and the Staff of the Board of Governors of the Federal Reserve System to discuss their current views on payment cycling. The Federal Reserve maintains a neutral stance on the issue of payment cycling, but in recent years it conducted a study to determine whether the cycling of Social Security checks would improve the national check clearing system. The study concluded that since Social Security checks constitute less than 1 percent of the total number of checks processed by Federal Reserve each year, cycling would have a negligible effect.

Treasury indicates that payment cycling would produce a slight operational savings in its check production operation. Checks would not have to be stored throughout the month as they are printed, which is now required under current operations. However, Treasury agrees with our assessment that there would be an increase in public inquiries brought about by multiple payment dates.

Since the advent of the direct deposit program in 1976, Treasury is no longer the strong advocate of payment cycling it once was. According to Treasury, beneficiaries who use direct deposit are 16 times less likely to suffer a payment delivery problem than with checks. This has had a positive effect on both SSA and Treasury Department workloads. Treasury has abandoned its strong support for check cycling because it has to print fewer checks now than it did in the mid-1970's. Increasing numbers of direct deposit beneficiaries have also improved conditions for the financial community by reducing the traditional third-of-the-month traffic in bank lobbies. At present, more than 20 million Social Security beneficiaries are paid by direct deposit.

In conclusion, I have to agree with the numerous bipartisan committees and workgroups that have looked at this issue over the years. The advantages that are associated with payment cycling are far outweighed by its serious disadvantages. We need to look to other alternatives in handling public inquiry workloads regardless of when during the month the inquiry is made.

Mr. **Natcher**. Mr. Early, I yield to you.

Mr. **Early**. I have no further questions.

Mr. **Natcher**. Mrs. King, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for fiscal year 1991. This has been a good hearing.

Mrs. King, when you get your transcript back, matters that have been directed to your attention concerning numbers of FTEs, not only by Mr. Early, myself, Mr. Conte, take a good look at it. If you want to add something in there, it will help us when we mark this bill up.

[The information follows:]

Staffing Needs of the Social Security Administration

The Social Security Administration's (SSA's) fiscal year (FY) 1991 budget request for the Limitation on Administrative Expenses (LAE) account funds 62,875 full-time equivalents (FTEs) and 1,591 additional workyears for overtime and student employment programs, for a total of 64,466 workyears.

SSA's estimates of workyear requirements are built upon past workload experience and the time it took to process each unit of work. For FY 1991 they take into account the work SSA is expected to process and various factors which affect the time it takes to process the work, including management and procedural changes and automation improvements. The FY 1991 budget request was built on this analysis and reflects the workyears needed to process our workloads.

This does not mean that all is well across the agency. We recognize our problems and we are moving to deal with them. SSA employees are stretched to their limit after a 6-year period of downsizing in which SSA's FTEs were reduced by about 17,000, or more than 21 percent; and overtime and student employment programs were reduced by over 4,600 workyears, or more than 25 percent.

Although SSA's basic indicators of processing time and quality have remained favorable during this period, there also have been some signs of problems which must be addressed. For example:

- The rate of attrition across SSA offices has been uneven, resulting in staffing imbalances and poor morale, particularly in some urban offices;

- In some offices, staff losses have resulted in longer waiting times than we or the public would like to see and a reduction in personal contacts outside the office.

- After nationwide implementation of "800" number telephone service, we have experienced some problems with busy signal rates. Although steps have been taken to alleviate this situation, we are continuing to evaluate this service and the additional steps we can take to improve management of the "800" number.

Compounding this is the situation we found ourselves in earlier this year. We were faced with a significant reduction in FY 1990 resources through sequestration, movement of $50 million from available funds to our contingency reserve, and absorption of the January 1990 pay raise. This situation caused us to freeze hiring and severely restrict overtime beginning November 1, 1989.

Thus, for most of the first half of FY 1990, this agency operated under a hiring freeze and severe curtailment of essential support resources (supplies, travel, equipment, etc.), resulting in hurting further our employees' ability to do their jobs properly. I am glad to say that our funding picture this year has improved. We were held harmless from the sequester and, based on a review by the Office of Management and Budget (OMB) of our unfunded needs, OMB has made available for obligation $48 million of our $98 million contingency reserve. As a result of our improved budget picture this year, we are now able to accelerate hiring, increase overtime, provide some relief to the State Disability Determination Services, and address other critical areas of our budget.

Our goal in the staffing area is to accelerate hiring this year and provide relief to those areas of SSA that are most in need of resources. We plan to use recently released contingency funds to increase employment by more than 1,000 during the balance of FY 1990 (in addition to replacing all employment losses which occur between now and then). This hiring followed by a year of stability in FY 1991 will be a great relief to this agency, after years of attrition in employment. In addition, you can be assured that we will go back to OMB if additional contingency funds are needed this year.

We believe that with approval of the FY 1991 President's budget, we will be able to build on the actions we are taking this year to heal our organization and stabilize our staffing levels. The funds in the President's budget will allow us to address some of the backlogged work we anticipate will be carried into FY 1991.

What is essential for SSA in FY 1991 is to obtain the full level of resources requested for the LAE account, $4,166,974,000, without any additional restrictions or across-the-board cuts. It is important to provide adequate funding for the additional staff which we are in the process of recruiting; including budgeted increases for training, for improving the work environment, and for equipment and supplies, which, in addition to stability in staffing, represent serious needs of the agency.

We do not believe that the arbitrary addition of another 4,000 employees to the Social Security Administration in FY 1991 is the answer to our current problems. We simply cannot justify an employment increase of that magnitude at this time. We will continue to monitor the many uncertainties in our environment...the national "800" number, the cost of correcting staffing imbalances and, of course, the size of our workload...and keep higher monitoring authorities informed if these uncertainties cause our staffing situation to change.

Let me close with a word about the nonworkyear side of our budget. In recent years, budget reductions have forced SSA to cut back in funding for Information Technology Systems, State Disability Determination Services and other basic SSA support requirements, in order to minimize employment reductions. If we want to fulfill SSA's commitment to address the service problems we now face and be an exemplary public service institution, we must stabilize staffing; but we also must continue to invest in technology; we must restore funding to the State agencies to alleviate their hardships during the last two years and fund their cost and workload increases; and we must adequately fund basic support requirements of the Social Security Administration such as building maintenance, equipment, supplies, printed forms and procedures, and employee training which have been neglected in recent years.

Mrs. King. Thank you, Mr. Chairman.

Mr. Natcher. Thank you, very much.

The committee will now adjourn until 2:00 o'clock tomorrow afternoon.

[**Clerk's note.**—The following two reports were submitted by the Social Security Administration and the General Accounting Office to be included in the record of the hearing.]

Report to the
House and Senate Appropriations Committees
On

The Levels of Service Provided to Social Security Beneficiaries and the Public In General For Quarters Ending September and December 1989

Report FY 90-1
Social Security Administration
March 1990

REPORT TO THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES ON THE LEVELS OF SERVICE PROVIDED TO SOCIAL SECURITY BENEFICIARIES AND THE PUBLIC IN GENERAL

REPORT FY 90-1 SEPTEMBER AND DECEMBER 1989 QUARTERS

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ABBREVIATIONS

ALJ	Administrative Law Judge
CDR	Continuing Disability Review
DDS	Disability Determination Services
DI	Disability Insurance
DQB	Disability Quality Branch
FTE	Full-time Equivalent
FY	Fiscal Year
GAO	General Accounting Office
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
HI	Health Insurance
IDA	Index of Dollar Accuracy
OASDI	Old Age, Survivors and Disability Insurance
OHA	Office of Hearings and Appeals
OIG	Office of Inspector General
OPIR	Office of Program and Integrity Reviews
PEBES	Personal Earnings and Benefit Estimate Statement
POMS	Program Operations Manual System
PSC	Program Service Center
QA	Quality Assurance
RSDI	Retirement, Survivors and Disability Insurance
RSHI	Retirement, Survivors and Health Insurance
RSI	Retirement and Survivors Insurance

SSA	Social Security Administration
SSI	Supplemental Security Income
SSIA	Supplemental Security Income-Aged
SSIBD	Supplemental Security Income-Blind and Disabled
SSN	Social Security Number
TSC	Teleservice Center
TSR	Teleservice Representative

REPORT TO THE HOUSE AND SENATE APPROPRIATIONS COMMITTEES ON THE LEVELS OF SERVICE PROVIDED TO SOCIAL SECURITY BENEFICIARIES AND THE PUBLIC IN GENERAL

REPORT FY 90-1

SEPTEMBER AND DECEMBER 1989 QUARTERS

Introduction

In Senate Appropriations Committee Report Number 101-127, accompanying the appropriations bill for the Departments of Labor, Health and Human Services, and Education and related agencies for the fiscal year ending September 30, 1990, the Committee requested SSA to continue providing information on the indicators that measure the level of service provided to Social Security beneficiaries and the public in general. This report is similar to one that SSA had been providing to the House and Senate Appropriations Committee. The Senate Committee's request indicated that the report should disclose, in addition to the staffing, accuracy, workload and processing time data already contained in the reports, data addressing telephone access and accuracy.

In its request, the Senate Committee asked that SSA report by March 1, 1990 and September 1, 1990. Both the House and Senate Committees agreed on the March 1 and September 1 reporting dates.

The current report, containing data for the September and December 1989 quarters, responds to that request and includes a variety of data currently available in Social Security systems and records. The report also includes information on current SSA staffing. Where significant changes have occurred, an explanation of the reasons for the changes has been provided. In most cases, the staffing data have been presented in the format developed by the General Accounting Office (GAO). Both the program and staffing data formats were developed based on prior reports to the House Appropriations Committee and on verbal consultations with GAO.

There have been five independent survey reports of SSA clients who were asked to rate their satisfaction with SSA services.

GAO surveys were conducted in 1984 and 1986, and the Office of Inspector General (OIG), HHS conducted surveys in 1987 and 1988. These surveys were designed to measure the degree of client satisfaction with SSA service during SSA's period of staff reductions. In each case in these reports, the public gave SSA high marks on quality of service. The percent of clients responding to the surveys who rated SSA service as "good" to "very good" ranged from 78 percent to 87 percent. In addition, readability of mail remained stable, and respondents expressed appreciation for SSA's effort to provide quicker service by increasing its telephone services.

The most recent survey was conducted in December 1989 and January 1990 by the OIG. Although satisfaction ratings were a little lower than reported in some of the earlier surveys, satisfaction with the service provided by SSA continues to be high. Eighty-three percent of the respondents in this survey rated SSA's service as "good" to "very good."

In addition to the public's good opinion of SSA's service, the Agency can report the following recent accomplishments which directly relate to better service:

- Improved the Disability Insurance (DI) process accuracy rate for reconsiderations from 93.1 percent in March 1989 to 93.9 percent in September 1989.
- Improved the DI process accuracy rate for continuing disability reviews from 96.5 percent in June 1989 to 97.8 percent in December 1989.
- Reduced processing time for Retirement, Survivors and Health Insurance (RSHI) claims from 19.2 days in June 1989 to 15.9 days in December 1989.
- Reduced the average age of pending hearing cases workload from 142 days in June 1989 to 135 days in September 1989.
- Reduced the number of hearing cases pending over 120 days from 75,089, or 48 percent of the workload in June 1989, to 67,495, or 46 percent of the workload in September 1989.
- Continued modernization efforts to automate and streamline the taking and processing of claims. Desktop terminals--over 27,000 of them--are used in field offices and processing centers. As part of this effort, SSA has made significant strides in redesigning its vast software files, upgrading or replacing main computers and linking field offices with central computers in Baltimore by using the latest technology, such as satellites or fiber-optic cable.
- Expanded toll-free 800 Number Service nationwide on October 2, 1989. (Service had been provided to 60 percent of the country beginning October 1988.) The 800 Number Service serves as an entry point for contact on simple Social Security actions that can be completed by telephone. Face-to-face service is always available if a member of the public wants to deal with SSA in that manner.

- Prepared with the cooperation of the Internal Revenue Service, a message explaining availability of the Personal Earnings and Benefit Estimate Statement (PEBES). This was placed in the 1989 Federal Tax package, which was sent to over 148 million taxpayers.

- Initiated a major national multi-media public service advertising campaign emphasizing financial planning using the PEBES statement. This will be released to the media in March 1990. Campaign materials were developed by the Advertising Council and will be distributed to television, radio and print media.

- Created a Supplemental Security Income (SSI) Outreach Task Force to design ways to identify those potentially eligible for SSI and help them obtain benefits. Special efforts will be made to reach the homeless. The Task Force consulted with more than 60 public and private agencies that work with disadvantaged people. As a result of the Task Force's work, SSA is revising guides for its field staff, improving training, redesigning public information materials, working with national organizations -- e.g., American Association of Retired Persons -- and community level organizations and simplifying the SSI application process. SSI outreach is one of SSA's highest priorities.

Finally, in support of SSA's continuing commitment to meet the needs of the public, SSA will dedicate its immediate efforts to the following primary goals:

- Serve the public with compassion, courtesy, consideration, efficiency and accuracy;

- Protect and maintain the American people's investment in the Social Security Trust Funds and to instill public confidence in Social Security programs; and

- Create an environment that ensures a highly-skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission.

These goals reflect SSA's deep appreciation of the vital role it plays in American society and SSA's great responsibility as the number and needs of its beneficiaries continue to grow.

ACCURACY

The SSA Quality Review system is designed to provide statistically reliable information on how well the programs administered by SSA are operating. Separate surveys are conducted for RSI, SSI, and for disability decisions made by State Agencies. A random sample of cases is selected and reviewed. The data from these reviews provide program administrators with:

- Information regarding the accuracy of program dollar payments (payment accuracy); and
- Information on the accuracy of major Agency adjudicative processes, such as initial claims, that serve as the basis for recommendations for reducing erroneous payments, improving procedures and instructions, modifying policies and strengthening program administration (process accuracy).

Payment Review System

A sample of payments made is selected for review and all eligibility and payment factors are redeveloped to determine:

- Payment accuracy;
- Causes of incorrect payments;
- Why incorrect payments occur; and
- Responsibility for incorrect payment (recipient or Agency).

Through a random sample of cases on the rolls, the payment review sample provides information on the accuracy of SSI and RSI payments and management information as to types and causes of errors.

The RSI payment sample consists of an annual random sample of cases selected from current payments. Each case represents one SSN and all persons who are receiving benefits related to that number. The SSI payment sample also consists of an annual random sample of cases from current payments. The sample of SSI cases is considerably larger because of the complexity of the program.

Considerable change in recipient circumstances, as well as the numerous factors which affect eligibility or payment amounts, are a part of this and other needs-based programs. A much larger sample is required to monitor the accuracy of both Federal and State SSI payments and to produce statistical profiles of error-prone cases. These profiles are used to select the cases with the greatest probability of significant error for redetermination. Thus, the sample provides a cost-effective process by which about 5 to 7 percent of the total number of SSI cases is selected each year.

Eligibility factors are verified through direct contact with the beneficiary and collateral contacts to verify eligibility-related factors. After all the required eligibility/payment proofs are obtained, a payment accuracy determination is made. In instances where it is determined that the person received an incorrect amount of benefits, benefit levels are corrected and additional determinations are made as to why the incorrect payment occurred.

The results of the review are transmitted to the Quality Assurance (QA) computer system to generate the statistical data. The data are analyzed to identify trends and to develop recommendations to improve future payment accuracy.

New Quality Measurement System for Current Adjudicative Actions

In FY 1989, SSA made a fundamental change in the way quality performance is measured for current adjudicative actions to enhance the process. The review of casefile documentation is now coupled with beneficiary recontact and reconstruction of eligibility factors. This new system, referred to as "dollar accuracy review," provides a more complete measure of the payment accuracy of currently adjudicated cases. This new measure is termed the "Index of Dollar Accuracy (IDA)." It complements and works together with the Payment Review System to reduce overpayments and underpayments.

The process accuracy data provided for periods prior to FY 1989 show the percentage of cases free of dollar error on the face of the record. Other procedural failings which may also lead to dollar error, and dollar error which cannot be detected from folder review alone, were not reflected. The new dollar accuracy review includes measurement of those factors, focusing on the improvement of dollar accuracy rates.

The new methodology was developed so that SSA could focus on the types of errors which result in the largest amount of overpayments or underpayments. SSA made the change reasoning that the value of the new, more comprehensive measure offsets the loss of baseline data from the old system. This baseline data was used to track accuracy progress over time. The new system was discussed with GAO staff and they described the change and its advantages as part of their service delivery report.

For the period October 1988 through June 1989, the IDA for RSI claims was 99.84 percent. SSI accuracy for the same period was 96.8 percent.

IDA provides a measure of the current decisions made on the applications for SSA benefits. The measure used is the relationship in "error dollars" (both overpaid and underpaid) as a percentage of the dollars that should be paid as a result of the sampled adjudicative action. The "error dollars" and the "should be paid dollars" included in IDA represent the life cycle of payments and errors that follow from the decisions which were reviewed. Thus, the measure includes judgments about the likelihood to detect and correct errors throughout the life of payments.

Based on the first six-month review period, the biggest opportunity for improvement is to base payments on more accurate earnings records. SSA has already taken the following initiatives in this area:

1. In mid-January, SSA released a new Programs Operations Manual System (POMS) subchapter, RS 01404, Wage Development, that expanded policies and procedures with regard to earnings record review.

2. Two RSI program circulars (both released February 5, 1990) highlighted the relationship of the new POMS to possible error reduction.

Table 1

RSI PAYMENT ACCURACY
(PAYMENT REVIEW SYSTEM)

FY 1989

Dollar Accuracy Rates	Percent
Excess Payments	99.8*
Underpayments	99.8
Percent of Excess Payment Errors Attributed to SSA	27.0
Percent of Underpayment Errors Attributed to SSA	90.6

Case Accuracy Rates	Percent
Excess Payments	99.0*
Underpayments	96.5
Percent of Excess Payment Errors Attributed to SSA	55.0
Percent of Underpayment Errors Attributed to SSA	83.8**

* SSA expresses dollar and case accuracy rates in these categories as the percentage of dollars (or cases) paid accurately--e.g., under the Excess Payments category 99.8 percent of the dollars were paid accurately, while .2 percent were not (for cases, 99 percent were accurate, while 1 percent were not).

** Incorrect computations are the leading underpayment deficiency type for both dollars and cases. These deficiencies are principally related to problems in the processing of complicated entitlement cases, frequently requiring manual benefit computations.

Table 2

SSI PAYMENT ACCURACY
(PAYMENT REVIEW SYSTEM)

Period	Percentage of Dollars Paid Accurately
10/81 - 03/82	95.2
04/82 - 09/82	95.9
10/82 - 03/83	95.9
04/83 - 09/83	96.4
FY 1984*	96.7
FY 1985	96.7
FY 1986	96.1
FY 1987	96.2
FY 1988	96.5
FY 1989	Not Available Until 4/90

* The sample was reported on a 6-month basis through FY 1983 and was moved to an annual basis beginning with FY 1984.

DISABILITY QUALITY ASSURANCE

Title II and title XVI disability determinations are made by DDS agencies under authority of section 221(a) of the Social Security Act. The Act provides that States must make disability determinations in accordance with standards and criteria contained in the law and regulations and in other written guidelines of the Secretary. The Act also provides that the Secretary shall promulgate regulations specifying performance standards, including an acceptable rate of accuracy of decisions.

Initial decisions are the decisions as to whether a claimant meets the disability requirements to receive benefits when the claim is initially filed. The reconsideration decision is a review of the initial determination. In the vast majority of reconsiderations, it is a denial of benefits at the initial level which is being appealed by a claimant. Both decisions are rendered by the DDS.

Disability benefits are not payable in the event of medical recovery or when the beneficiary is able to engage in a level of work activity that is both substantial and gainful. For this reason, continuing disability reviews (CDR) are conducted to determine whether certain beneficiaries continue to meet the disability requirements of the law. The medical issues in CDRs are decided by the DDS.

Section 221 of the Act provides the statutory basis for Federal quality reviews of State disability determinations. SSA conducts the QA reviews of State decisions using the 10 regional disability quality branches (DQB) in SSA's 10 regional offices.

An ongoing random selection of DDS cases, both title II (DI) and title XVI (SSI), is routed to the DQB after the DDS decision but before the release of the notice to the claimant. The DQB review involves a complete examination of the casefile, including an independent review of the medical evidence by physicians under contract to the Federal Government. Cases with deficiencies which could affect the outcome of the payment decision or amount of benefits are returned to the DDS for correction.

The measure of the quality of DDS adjudication is the QA accuracy rate. The accuracy rate is the percentage of QA cases reviewed in which the casefile establishes that the DDS correctly awarded or denied benefits for an initial claimant or correctly determined that benefits should continue or cease for a beneficiary on the rolls. Inaccurate cases include DDS decisions which should either be: A) reversed based on the existing casefile evidence; or B) further documented because the Federal reviewer cannot determine whether payment or nonpayment of benefits is appropriate based on the evidence in file.

The September and December 1989 quarters showed a continuation of DDS accuracy at levels consistent with prior experience, but with a slight decrease in initial claims accuracy and a slight increase in reconsideration and CDR accuracy.

Accuracy of decisions continues to be emphasized in the San Francisco Region. While reconsideration accuracy has improved slightly, initial claims accuracy has declined. SSA will continue to provide broad based corrective support to achieve improvement.

Table 3

DI PROCESS ACCURACY RATES FOR INITIAL CLAIMS

Percentage of Cases Free of Decisional/Documentation Deficiencies

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	92.8	94.6	95.4	96.6	94.3
New York	95.5	95.0	93.7	95.6	94.4
Phil	95.0	93.9	94.1	93.1	93.1
Atlanta	95.9	94.0	94.6	93.4	94.5
Chicago	94.8	93.6	96.2	97.0	94.7
Dallas	94.8	93.9	93.7	94.3	94.9
K C	97.1	94.7	98.2	94.7	93.0
Denver	94.1	96.0	93.2	94.9	94.8
S F	94.6	93.3	94.7	93.8	90.4
Seattle	94.5	91.2	93.8	95.4	94.5
National	95.1	94.0	94.8	94.7	93.8

Table 4

DI PROCESS ACCURACY RATES FOR RECONSIDERATIONS

Percentage of Cases Free of Decisional/Documentation Deficiencies

	12 Months Ending				
Region	9/87	3/88	9/88	3/89	9/89
Boston	93.7	95.7	95.6	95.3	94.4
New York	90.4	91.0	91.4	92.5	95.8
Phil	94.0	94.8	95.0	93.6	93.0
Atlanta	92.9	95.5	95.0	93.7	95.2
Chicago	92.4	94.8	96.9	96.5	96.2
Dallas	96.0	95.5	95.0	95.0	94.9
K C	95.8	97.8	98.1	97.6	97.8
Denver	92.0	93.2	93.5	93.7	92.7
S F	86.2	86.3	82.9	82.7	85.3
Seattle	93.0	90.6	91.9	91.1	91.9
National	92.4	93.6	93.6	93.1	93.9

These data are available only on a rolling 12-month basis, in March and September.

Table 5

DI PROCESS ACCURACY RATES FOR CONTINUING DISABILITY REVIEWS

Percentage of Cases Free of Decisional/Documentation Deficiencies

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	98.0	98.4	99.4	99.3	98.0
New York	96.6	95.4	93.9	92.3	97.1
Phil	92.7	95.6	95.4	95.4	98.5
Atlanta	96.8	96.9	95.5	97.1	97.4
Chicago	94.5	99.0	98.2	98.3	98.1
Dallas	94.7	95.7	97.4	94.9	96.4
K C	95.9	98.6	98.3	94.1	98.8
Denver	95.9	97.3	95.7	96.9	97.7
S F	95.1	95.9	96.9	98.7	97.0
Seattle	94.9	93.8	98.3	98.1	99.1
National	95.5	96.7	96.5	96.3	97.8

PROCESSING TIMES - INITIAL CLAIMS

The Committees have requested regional and national average processing time for new claims. The tables on the following pages contain average overall processing times (in days) for the major Social Security claims workloads. These include:

- Title II claims for retirement, survivors and health insurance (RSHI);
- Title II claims for disability insurance (DI);
- SSI aged claims (SSIA); and
- SSI blind/disabled claims (SSIBD).

Data have been provided for the most recent 3 quarters as well as for the December 1987 and December 1988 quarters. Thus, a 24-month perspective on processing time is provided.

The RSHI and DI data are derived from the SSA Management Information Initial Claims Record System and include all initial claims for retirement, survivors, disability and health insurance. The numbers reflect processing time for all claims cleared in the quarter indicated.

"Processing time" is defined as the mean of the number of days from the date of the application to the date of the allowance or denial decision. DI processing time includes the period of time during which the case is in the DDS for a disability decision.

The SSIA and SSIBD data are derived from the SSI Initial Claims Report System. Overall processing time includes the mean of all initial claims for aged, blind and disabled SSI payments. The numbers reflect processing time for all claims cleared in the quarter indicated. SSIBD processing time includes the period of time during which the case is in the DDS for a disability decision.

Processing times for initial claims have historically followed a seasonal trend, i.e., they are higher during the first quarter of the calendar year than during the balance of the year. This is a phenomenon which reflects a combination of predictable factors--that more people file benefit applications during the first quarter of the calendar year than during any other quarter; a heavier-than-average use of leave during the month of December, which impacts on processing times for all workloads in the following quarter; and inclement weather which causes office closings and thereby interrupts production. In the aggregate, these factors usually translate into levels of pending claims which are higher than would exist without them. Since the full-time permanent staff is not seasonally adjusted to compensate for the increased workload, higher pending levels usually result in increased processing times. However, this condition is temporary and the peak workloads soon return to normal levels.

National processing times for RSHI claims have followed these seasonal trends and, accordingly, improved in the last 2 quarters and show a general trend of improvement over the last 2 years.

SSIA processing times have increased moderately over the last 2 quarters. The increase can be attributed to a greater opportunity for claimants to establish an intent to file by telephone and to the use of appointments. SSA measures processing time from this initial point of contact, even though a signed application has not yet been received.

National processing times for DI and SSIBD claims have increased moderately over the last 2 quarters. The increase can be attributed to a number of factors such as DDS quality efforts that were implemented early in the calendar year and DDS efforts to effectively manage operational difficulties and to adjust staffing patterns resulting from downsizing. Also, a reduction in FY 1990 continuing disability review workloads that permitted DDSs to focus on working aged initial disability claims during the latter part of calendar year 1989 has been a factor contributing to increased processing time.

The relative stability in processing time measures has been achieved during the implementation of the modernized claims system in many field offices. This has occurred despite the fact that the new system required extensive training of staff on the use of new hardware and software for processing claims.

Beginning in FY 1989, SSA established maintenance level processing time goals. This approach focused on attempting to assure that there was no deterioration in processing time and that an acceptable level of public service was maintained while other Agency initiatives were being put into place. These goals were established for internal component measures of overall processing times.

Table 6

RSHI
PROCESSING TIMES FOR INITIAL CLAIMS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	20.9	21.8	21.2	19.0	17.3
New York	21.1	21.7	21.1	19.4	17.2
Phil	16.1	17.3	17.3	16.1	15.1
Atlanta	19.2	20.0	17.8	14.1	13.2
Chicago	16.2	17.3	16.9	14.9	13.7
Dallas	17.8	16.2	17.2	15.0	15.0
K C	16.6	15.2	14.5	13.5	12.6
Denver	18.9	20.7	17.7	15.9	16.1
S F	18.9	21.4	19.9	17.5	16.8
Seattle	17.1	19.3	19.8	17.6	17.1
National	19.1	19.8	19.2	17.0	15.9

Table 7

DI
PROCESSING TIMES FOR INITIAL CLAIMS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	79.5	79.0	76.1	77.0	77.8
New York	89.7	100.8	106.2	107.3	107.6
Phil	61.4	62.7	60.7	62.6	65.1
Atlanta	71.1	70.2	65.6	62.9	64.9
Chicago	72.9	78.0	72.2	71.6	73.9
Dallas	65.4	70.0	73.2	74.9	77.1
K C	63.2	64.5	60.5	67.6	67.4
Denver	66.1	71.2	66.1	67.9	67.5
S F	74.1	91.2	98.0	100.1	103.5
Seattle	76.3	79.3	73.5	74.0	80.9
National	72.4	77.0	76.3	76.7	79.4

Processing times for DI initial claims have increased due to increases in DDS processing times.

Table 8

SSI AGED
PROCESSING TIMES FOR INITIAL CLAIMS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	11.7	11.5	11.3	12.1	12.8
New York	11.8	11.5	11.5	11.7	13.0
Phil	9.5	10.6	13.1	13.7	16.3
Atlanta	13.8	15.7	16.9	15.6	18.4
Chicago	9.5	9.2	9.3	9.4	9.7
Dallas	9.1	9.4	9.8	10.1	13.1
K C	9.9	10.9	11.6	9.8	11.7
Denver	11.5	12.0	12.6	13.0	16.3
S F	11.4	12.3	18.3	18.6	19.1
Seattle	15.0	14.5	17.8	19.6	19.4
National	11.4	12.1	14.2	14.1	15.8

Table 9

SSI BLIND/DISABLED
PROCESSING TIMES FOR INITIAL CLAIMS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	76.7	74.7	74.9	75.1	80.4
New York	96.6	101.7	107.6	111.4	108.5
Phil	76.8	80.0	77.8	79.8	83.6
Atlanta	72.1	74.1	72.6	72.9	75.1
Chicago	75.6	77.1	75.2	76.2	77.7
Dallas	63.8	72.3	75.5	78.7	83.1
K C	54.7	58.7	58.5	61.2	64.4
Denver	68.7	74.3	73.4	75.4	77.9
S F	88.1	102.8	109.9	114.9	116.9
Seattle	87.7	87.8	87.0	86.2	92.0
National	76.3	80.8	82.5	84.6	87.3

Processing times for SSIB/D have increased due to increases in DDS processing times.

PROCESSING TIME - APPEALS

The Committee has requested regional and national average processing times for claims in the appellate process. Tables 10 and 11 indicate processing time for DI reconsideration requests and all hearing requests.

Reconsiderations are the first step in the administrative appeals process, whereby a claimant requests that a decision (usually a denial) be reviewed. The table includes data on processing times for DI reconsiderations only; other reconsideration times are not available. Processing time for reconsiderations is the mean of the number of days from the date of the reconsideration request to the date of the reconsideration decision. The data reflect processing time for all DI reconsiderations on which final decisions have been made in the quarter indicated.

The hearing before an administrative law judge (ALJ) is the second step in the administrative appeals process. Hearing cases include initial and postentitlement actions and continuing disability reviews (CDR) under titles II and XVI of the Social Security Act, health insurance cases under title XVIII and some appeals on black lung cases under title IV of the Federal Coal Mine Health and Safety Act. Processing time on requests for hearing is measured from the date of the request for hearing to the date of the final ALJ disposition. ALJs also handle Appeals Council and District Court remands. Processing time for these cases is measured from the date of the remand order to the date of final ALJ disposition.

Hearing processing time continued to decline during the last quarter of FY 1989 and the first quarter of FY 1990. The average processing time was 215 days for the quarter ending September 1989, 210 days for October 1989 and 212 days in November and December 1989. The average number of dispositions per ALJ increased from 35 in the first quarter of FY 1989 to a high of 39 during the third quarter of FY 1989. During the year, hearing dispositions exceeded 302,000 cases, for a fiscal year average of 38 dispositions per ALJ.

Appeals Council review is the final step in the administrative appeals process. The Appeals Council may review an ALJ decision upon request of dissatisfied parties or upon its own motion. The Appeals Council may deny or dismiss the request for review or grant the request and either issue a decision or remand the case to an ALJ. The total number of Appeals Council dispositions increased steadily during the quarter ending September 1989. Appeals Council dispositions were 3,612 in July 1989, 4,202 for August 1989 and 5,190 for September 1989.

OHA continued to be responsible for handling Health Care Financing Administration Part B appeals in FY 1989. A development center in Headquarters develops cases for hearings by ALJs.

OHA is continuing concerted efforts to reduce pending levels and processing times of hearings and appeals workloads and has achieved the following in the quarters ending September 1989 and December 1989:

-- Reduced average processing time for hearings from 218 days for the quarter ending June 1989 to 212 days for the month of December 1989.

-- Continued processing the oldest cases first and responding to those which have waited longest, reducing the average age of pending cases from 142 days in June 1989 to 135 days in September 1989.

-- Continued to operate five word processing centers in different areas of the country to assist hearing offices and Headquarters in typing ALJ and Appeals Council decisions.

-- Continued to maintain class action management centers in the Atlanta Region and case processing centers in the Dallas Region; implemented plans for case processing centers in Evansville, Indiana, and Billings, Montana, bringing to seven the number of case processing centers available to assist hearing offices with case development.

-- Hired 16 Appeals Officers during the last quarter of FY 1989 to assist Appeals Council members.

-- Developed systems-generated reports to monitor and improve court case processing.

Table 10

DI
PROCESSING TIMES FOR RECONSIDERATIONS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89
Boston	71.9	66.9	64.4	67.7	73.5
New York	75.5	74.4	80.5	80.7	80.6
Phil	48.1	47.6	48.7	50.5	53.2
Atlanta	51.8	52.4	51.2	51.8	52.7
Chicago	58.0	58.7	53.3	54.0	58.2
Dallas	44.8	48.3	53.1	52.3	53.3
K C	46.3	49.0	50.3	53.7	57.0
Denver	50.9	57.3	52.4	52.5	55.5
S F	67.2	76.7	89.9	93.2	92.4
Seattle	58.3	59.8	56.2	59.1	72.0
National	56.0	57.8	58.9	59.8	62.2

Table 11

PROCESSING TIMES FOR HEARINGS
(in days)

	Quarter Ending				
Region	12/87	12/88	6/89	9/89	12/89*
Boston	172	208	221	221	207
New York	172	179	184	192	193
Phil	277	242	230	227	214
Atlanta	187	201	199	200	201
Chicago	217	239	254	248	236
Dallas	240	230	231	226	228
K C	194	200	214	200	205
Denver	208	224	217	207	192
S F	203	197	209	202	194
Seattle	258	219	219	225	220
National	211	213	218	215	212

Includes new requests for hearings on initial claims and continuing disability reviews, reopenings, Appeals Council remands and Court remands.

* Data are for the month of December 1989. Final quarterly processing times are computed coincident with further analysis of case data, which occurs approximately 3 months after the close of the quarter. (Processing times were 210 days for October 1989 and 212 days for November.)

Table 12

PENDING WORKLOADS

	Quarter Ending					
FIELD OFFICES	12/87	12/88	6/89	9/89	12/89	Percent Change 12/88-12/89
RSHI Claims	99,189	99,677	89,213	85,104	70,588	-29.18 (1)
DI Claims	205,597	190,558	206,399	214,376	209,593	9.99
SSIA Claims*	2,302	2,253	3,485	4,936	3,300	46.47 (2)
SSIBD Claims	207,451	193,515	215,288	228,288	219,949	13.66 (3)
RSDI & SSI Overpayments	96,635	0	0	0	0	--- (4)
PROGRAM SERVICE CENTERS						
RSHI Claims	66,175	87,242	123,796	99,003	105,627	21.07 (5)
RSDI & SSI Overpayments	24,355	40,692	37,566	30,628	38,098	-6.37
OFFICE OF DISABILITY OPERATIONS						
DI Claims	15,014	13,873	17,774	19,658	20,253	45.99 (6)
OFFICE OF CENTRAL RECORDS OPERATIONS						
Earnings records for RSHI & DI Claims	26,334	20,854	21,296	20,832	22,768	9.18
OFFICE OF HEARINGS and APPEALS						
Hearings	150,231	160,523	159,931	156,885	160,943	0.26

(1) Lower pendings have been achieved by an improving rate of production per workyear and a decrease in overall processing time from 19.8 days in 12/88 to 15.9 days in 12/89.

(2) Higher receipts caused by more outreach activities are increasing pendings.

(3) Increased processing times in the Disability Determination Services (DDS) have caused higher pendings of disability cases in the District Offices.

(4) The automated District Office Workload Report, implemented at the beginning of FY 1989, tracks only clearances for this item. The centralized tracking of pending levels in SSA field offices has been discontinued.

(5) The 12/89 pending reflects the impact of folderless processing--counting actions vs. cases. Pendings have also been adversely affected by restrictions on hiring and the cyclical nature of PSC work--automatic earnings reappraisal operation was worked starting in October, 1989, diverting resources from other workloads.

(6) Increased pendings are due to hiring restrictions and a 10 percent increase in receipts.

* Due to a systems change, clearances were undercounted and higher pendings erroneously reported. Figures have been adjusted to more accurately reflect actual pending.

Table 13

STAFF ON DUTY FOR MAJOR COMPONENTS

Component	Quarter Ending 12/87	12/88	6/89	9/89	12/89	Diff. 12/88-12/89	Percent Change 12/88-12/89
Regional/field offices	36,226	34,883	34,155	35,077	34,668	-215	-0.6
Office of Hearings and Appeals	5,401	5,707	5,465	5,559	5,532	-175	-3.1
Program Service Centers	10,361	9,566	9,194	9,335	9,069	-497	-5.2
Office of Disability and International Operations	4,786	4,318	4,208	4,133	4,078	-240	-5.6
Office of Central Records Operations*	4,088	4,130	4,944	3,957	3,938	-192	-4.6
All Other	8,075	7,977	7,848	7,786	7,708	-269	-3.4
Total	68,937	66,581	65,814	65,847	64,993	-1588	-2.4

* Includes seasonal staff on duty.

Table 14

FIELD OFFICE STAFF ON DUTY BY REGION

Quarter Ending

Region	12/87	12/88	6/89	9/89	12/89	Diff. 12/88-12/89	Percent Change 12/88-12/89
Boston	1,789	1,737	1,684	1,694	1,667	-70	-4.0
New York	4,750	4,528	4,355	4,321	4,281	-247	-5.5
Phil	3,586	3,357	3,525	3,798	3,771	414	12.3
Atlanta	6,271	6,305	6,191	6,191	6,157	-148	-2.3
Chicago	6,384	6,111	5,933	5,923	5,846	-265	-4.3
Dallas	3,881	3,697	3,661	3,877	3,843	146	3.9
K C	1,727	1,648	1,583	1,568	1,550	-98	-5.9
Denver	993	951	917	906	904	-47	-4.9
S F	5,565	5,354	5,107	5,156	5,030	-324	-6.1
Seattle	1,280	1,195	1,199	1,643	1,619	424	35.5
National	36,226	34,883	34,155	35,077	34,668	-215	-0.6

Table 15

FIELD OFFICE STAFF COMPOSITION

Position Type	FY 87	FY 88	FY 89	12/89	Diff. 88-89	Percent Change 88-89
Administrative	2,026	1,953	1,949	1,971	-4	-0.2
Oper. Supervisor	2,407	2,320	2,285	2,256	-35	-1.5
Oper. Analyst	257	160	105	110	-55	-34.4
Field Rep.*	835	736	601	579	-135	-18.3
Claims Rep.	13,503	13,567	13,836	13,892	269	2.0
Data Rev. Tech.	2,128	1,141	653	601	-488	-42.8
Service Rep.	5,718	6,029	6,353	6,588	324	5.4
Clerical	4,856	4,464	3,772	3,615	-692	-15.5
Other Clerical	1,950	1,596	1,423	1,370	-173	-10.8
Special Employment	459	260	215	201	-45	-17.3
Serv. Rep./ Data Rev. Tech.	1,184	1,940	1,961	1,901	21	1.1
Other**	81	272	562	464	290	106.6
Total	35,404	34,438	33,715	33,548	-723	-2.1

* Data adjusted to show only Field Representatives. TSC Technical Assistants and Resident Representatives previously included in this category are included under the "Other" category.

** A new reporting system enables SSA to distinguish employees in additional categories. The "Other" category includes employees in regional training centers; new field employees whose paperwork is not complete; and detailed employees from area and regional offices.

Increased automation continues to reduce the need for employees in the Data Review Technician (DRT) position. Most of the increases in the combined Service Representative/DRT position reflect transfers of staff from the DRT position. The number of Operations Analysts will continue to decrease, as this is a management position which SSA is filling less frequently.

Table 16

OFFICE OF HEARINGS AND APPEALS
HEARINGS OFFICE STAFF ON DUTY BY REGION

Region	Quarter Ending 12/87	12/88	6/89	9/89	12/89	Diff. 12/88-12/89	Percent Change 12/88-12/89
Boston	157	160	148	146	146	-14	-8.8
New York	579	559	527	524	522	-37	-6.6
Phil	444	489	481	493	507	18	3.7
Atlanta	890	1,036	994	983	971	-65	-6.3
Chicago	782	816	770	769	788	-28	-3.4
Dallas	474	577	545	586	576	-1	-0.2
K C	204	208	204	203	206	-2	-1.0
Denver	101	114	119	125	129	15	13.2
S F	571	563	534	526	528	-35	-6.2
Seattle	139	134	132	126	125	-9	-6.7
National	4,341	4,656	4,454	4,481	4,498	-158	-3.4

These figures include Regional Chief ALJ positions, "all other" category positions, non-ceiling positions, employees on leave without pay, and hearing office staff.

Table 17

OFFICE OF HEARINGS AND APPEALS
HEARING OFFICE STAFF COMPOSITION
(STAFF ON DUTY)

	Quarter Ending						
Position	12/87	12/88	6/89	9/89	12/89	Diff. 12/88-12/89	Percent Change 12/88-12/89
ALJ	656	704	684	696	688	- 16	-2.3
Decision Writer	701	754	707	688	681	- 73	-9.7
Hearings Asst.	817	876	889	886	889	13	1.5
Clerical	1,638	1,791	1,654	1,653	1,686	-105	-5.9
Management	133	139	134	134	130	- 9	-6.5
Total	3,945	4,264	4,068	4,057	4,074	-190	-4.5

Figures reflect only full-time permanent employees in hearing offices and word processing centers (including employees on leave without pay) and do not include regional office staff.

Table 18

PROGRAM SERVICE CENTERS
STAFF ON DUTY

Program Service Center	Quarter Ending 12/87	12/88	6/89	9/89	12/89	Diff. 12/88-12/89	Percent Change 12/88-12/89
Northeastern	1,641	1,514	1,457	1,467	1,491	-23	-1.5
Mid-Atlantic	1,550	1,396	1,327	1,327	1,278	-118	-8.5
Southeastern	1,815	1,674	1,634	1,669	1,596	-78	-4.7
Great Lakes	1,973	1,866	1,791	1,785	1,715	-151	-8.1
Mid-America	2,090	1,893	1,811	1,855	1,847	-46	-2.4
Western	1,292	1,223	1,174	1,232	1,142	-81	-6.6
Total	10,361	9,566	9,194	9,335	9,069	-497	-5.2

Table 19

SSA FIELD OFFICE STAFF CHANGE DURING FISCAL YEARS 1989 and 1990*

Offices With:	Number of Offices		Percent of Offices	
	FY 89	FY 90	FY 89	FY 90
No Change	280	588	21	43
Increase	224	215	16	16
Decrease	855	551	63	41
Total	1,359	1,354	100	100

* FY 1989 represents a full year, while FY 1990 represents experience to date.

Totals include Teleservice Centers (TSC).

Table 20

DISTRIBUTION OF FIELD OFFICES BY NUMBER OF NET STAFF LOST DURING FISCAL YEARS 1989 AND 1990*

Number of Staff Lost	Number of Offices		Percent of Offices	
	FY 89	FY 90	FY 89	FY 90
1	325	347	38	63
2	211	125	25	23
3	138	40	16	7
4	75	22	8	4
5	43	5	5	1
6	27	5	3	1
7-10	28	5	3	1
11-20	7	2	1	0
21-30	1	0	0	0
Total	855	551	99**	100

Totals include Teleservice Centers (TSC).

* FY 1989 represents a full year, while FY 1990 represents experience to date

** Total is less than 100 due to rounding.

Table 21

DISTRIBUTION OF FIELD OFFICES BY PERCENT OF NET STAFF LOST DURING FISCAL YEARS 1989 AND 1990*

Percent of Staff Lost	Number of Offices		Percent of Offices	
	FY 89	FY 90	FY 89	FY 90
5 Or Less	792	539	92	98
6 To 10	55	10	6	2
11 To 15	7	2	1	0
16 To 20	0	0	0	0
Over 20	1	0	1	0
Total	855	551	100	100

Totals include Teleservice Centers (TSC).

* FY 1989 represents a full year, while FY 1990 represents experience to date.

Table 22

SSA WORKYEARS BY TYPE: 5-YEAR HISTORY

Work-year Category*	1985	1986	1987	1988	1989	% Change 85-89
FTE's	78,481	76,185	71,463	67,526	65,220	-16.9
Overtime	2,345	1,492	848	1,012	998	-57.4
Nonceiling	2,088	1,769	1,097	748	713	-65.9
Total	82,914	79,446	73,408	69,286	66,931	-19.3
Cumulative % Change	n/a	-4.2	-11.5	-16.4	-19.3	

Includes workyears devoted to all programs administered by SSA. Excludes programs transferred out of SSA during the 1985-89 period.

FTEs consist of both full-time and part-time personnel whose employment is subject to ceilings set by the Office of Management and Budget, and HHS. Nonceiling personnel are employees hired under special programs, such as stay-in-school and summer aide.

Table 23

FY 1989 WORKYEAR ALLOCATIONS COMPARED TO FY 1988 USE

Component	FY 1988 Use	FY 1989 Allocation	Percent Difference
SSA field offices	35,488	34,638	-2.4
OHA	5,418	5,636	4.0
Program Service Centers	10,262	9,529	-7.1
Office of Disability and International Operations	4,602	4,237	-7.9
Office of Central Records Operations	4,733	4,625	-2.3

FY 1990 WORKYEAR ALLOCATIONS COMPARED TO FY 1989 USE

Component	FY 1989 Use	FY 1990 Allocation	Percent Difference
SSA field offices	34,363	33,358	-2.9
OHA	5,601	5,259	-6.1
Program Service Centers	9,563	8,861	-7.3
Office of Disability and International Operations	4,219	3,997	-5.2
Office of Central Records Operations	4,565	4,090	-10.4

FIELD OFFICE INTERVIEW WAITING AND COMMUTING TIMES

Effective with the first quarter of FY 1989, SSA redesigned the field office waiting time study. The study now requires each office to participate for approximately 3 hours about once every 20 months. A representative sample of offices is selected on a rotational basis to conduct this study. Each office is given a specific day and time interval to monitor visitors. Waiting time is monitored throughout the work week. The office sample design and schedule are constructed to provide national data on a quarterly basis. Each quarterly sample group provides a national cross section of offices by region, area and size of office.

Regions are also collecting data on commuting times before and after changes in field facilities. These data are included in our reports as facilities changes occur. For the current reporting period, two commuting time reports are included.

The methodology to gather and report waiting times is going to be revised by SSA. As a result of an internal review of the operating conditions in field offices, it is recognized that the waiting time data as now presented need to be modified to better reflect extremes, such as time of the day, period of the month and various categories of district office environments (inner city with high SSI workload, as an example).

Table 24

WAITING TIMES IN SSA FIELD OFFICES
July 1989 - September 1989

PRERECEPTION WAITING TIME		INTERVIEW WAITING TIME*	
I. Average Waiting Time: (Minutes)	6	I. Average Waiting Time: (Minutes)	11
II. Percent of Visitors Who Waited:		II. Percent of Visitors Who Waited:	
A. 0 - 2 Minutes	47.6	A. 0 - 5 Minutes	52.5
B. 3 - 5 Minutes	18.2	B. 6 - 15 Minutes	25.7
C. 6 - 10 Minutes	14.8	C. 16 - 30 Minutes	13.2
D. 11+ Minutes	19.4	D. 31+ Minutes	8.6

* Refers to time spent between referral by Receptionist and indepth interview.

Note: The waiting time measurement system is being revised to better reflect waiting time extremes (by time of day and period of the month), based on the entire time a person waits to see an employee who can address the matter for which the person visited the office. These data will be included in future reports.

Table 25

WAITING TIMES IN SSA FIELD OFFICES
October 1989 - December 1989

PRERECEPTION WAITING TIME		INTERVIEW WAITING TIME*	
I. Average Waiting Time: (Minutes)	7	I. Average Waiting Time: (Minutes)	11
II. Percent of Visitors Who Waited:		II. Percent of Visitors Who Waited:	
A. 0 - 2 Minutes	45.7	A. 0 - 5 Minutes	52.4
B. 3 - 5 Minutes	15.9	B. 6 - 15 Minutes	25.9
C. 6 - 10 Minutes	16.3	C. 16 - 30 Minutes	11.5
D. 11+ Minutes	22.1	D. 31+ Minutes	10.3

* Refers to time spent between referral by Receptionist and indepth interview.

Note: The waiting time measurement system is being revised to better reflect waiting time extremes (by the time of day and period of the month), based on the entire time a person waits to see an employee who can address the matter for which the person visited the office. These data will be included in future reports.

Table 26.A

COMMUTING TIMES
FOR CHANGED FACILITIES

FACILITY Birmingham (Ensley), Alabama Branch Office

DATE OF CHANGE September 30, 1989

NATURE OF CHANGE Relocation

AVERAGE COMMUTING TIME PRIOR TO CHANGE 10 minutes

AVERAGE COMMUTING TIME AFTER CHANGE 15 minutes

AVERAGE COMMUTING DISTANCE PRIOR TO CHANGE 3 miles

AVERAGE COMMUTING DISTANCE AFTER CHANGE 5 miles

Source of Information and Methodology:

This relocation involves moving the office 5 miles east of its present location. An office remains in Bessemer which is only 8 miles from the western part of the service area.

Table 26.B

COMMUTING TIMES
FOR CHANGED FACILITIES

FACILITY Columbia Mississippi Branch Office

DATE OF CHANGE December 1, 1989

NATURE OF CHANGE Consolidation

AVERAGE COMMUTING TIME PRIOR TO CHANGE 20 minutes

AVERAGE COMMUTING TIME AFTER CHANGE 30 minutes

AVERAGE COMMUTING DISTANCE PRIOR TO CHANGE 20 miles

AVERAGE COMMUTING DISTANCE AFTER CHANGE 30 miles

Source of Information and Methodology:

Commuting time study

Methodology:	The Columbia Branch Office presently serves residents of Marion and Jefferson Davis counties. Prentiss, the county seat of Jefferson Davis county, is located in the center of the county and is 24 miles from Columbia and 36 miles from Hattiesburg. Columbia is located in the center of Marion county and is 34 miles from Hattiesburg.
Background:	The proposal to consolidate the Columbia, Mississippi Branch Office with the parent District Office in Hattiesburg, Mississippi was submitted in January, 1989. Over 90% of the claims filed in Columbia are filed by telephone. After consolidation, field office personnel will continue to visit a contact station in Columbia on a regular basis.

NATIONAL 800 NUMBER SERVICE

The 800 Number Service offers a single toll-free number -- 1-800-2345-SSA (1-800-234-5772). It serves as an entry point for the public to conduct business with SSA, and many transactions can be handled to completion by teleservice representatives (TSR) while the caller is on the phone. If the situation is more complex, or otherwise requires the assistance of the local Social Security office, the call is referred to that office for resolution. Appointments can be arranged through the 800 number in any local office to file for Social Security benefits. The actual claim is taken in the local office or by phone by the most experienced technical employee (the claims representative) in that office. Teleservice is an addition to, not a replacement for, in-office service, and the 800 Number Service adds another convenient enhancement to the ways SSA serves the public.

Before October 1989, 800 Number Service was provided to about 60 percent of the country including the 10 percent of the people who previously had to pay tolls to contact SSA. On October 2, 1989, the 800 number was expanded nationwide. By then, three new megasite teleservice centers (TSC) were operating in Baltimore, Maryland, Albuquerque, New Mexico and Auburn, Washington. The existing megasite in Birmingham was expanded. Over 1,000 new TSRs had been hired and trained and were offering telephone service. A new call routing plan was developed and put into effect with the assistance of the service contractor.

The key measures of performance of the 800 Number Service are: 1) capability to handle calls; 2) quality of service provided and 3) public satisfaction with service.

The basic indicator for measuring the capability to handle calls is busy signal rates. In Table 27, the calls initiated by the public through the 800 number and the percent of busy signal rates are provided for the period October 1988 through December 1989.

Public response to SSA's 800 number telephone service has been tremendous since nationwide service began in October 1989. When 60 percent of the country was initially provided this service, about 3 million calls were placed monthly. In October 1989, about 5.7 million calls were made and in November 1989 about 8.3 million calls were attempted. During the normally slower month of December, about 4.2 million calls were initiated to the 800 number.

In response to this increased demand, SSA took immediate steps to enable more callers to reach the Agency:

- A new backup unit of 132 employees was planned for January 2, 1990 operation in SSA's program service center in Chicago, Illinois. A similar unit in the program service center in Birmingham has provided excellent assistance during the last year. (The new unit in Chicago began operation timely on January 2, 1990).

- Part-time TSRs were offered full-time employment, hiring authority in some TSCs was increased, and overtime hours have been offered to TSRs.

- On a temporary basis, about 1,000 telephone lines in 352 field offices where recently placed intercept messages directed the public to the 800 number were reactivated, i.e., the calls are now being received in the local offices rather than at a TSC.

- Call volumes to the 800 number were analyzed on an hour by hour basis to arrive at the most effective TSR work schedules, and SSA worked with the service contractor to refine call routing plans and procedures for the most efficient distribution of calls.

The new telephone service continues to be closely monitored, and SSA will take additional actions, as necessary, to ensure prompt, courteous and quality telephone service to the public.

Quality of service is another basic measure of service. Extensive training was provided to new TSRs before they began to serve the public, and on-the-job training has continued.

A comprehensive quality assessment program was begun in October 1989 to measure the ongoing performance of 800 number service. Under this program, the Office of Program and Integrity Reviews (OPIR) assesses quality on a continuing basis in all TSCs through service observation. This quality assessment program supplements ongoing supervisory reviews to ensure quality. Random monitoring of calls during the period of October through December 1989 found no inaccuracies in about 97 percent of the responses regarding payment amounts or eligibility.

The third measure is public satisfaction with the service. Caller recontact surveys are conducted on a regular basis as part of SSA's quality assessment program for the 800 number. In the recontact survey of 1,356 callers to the 800 number in November 1989, 88 percent indicated that they were satisfied with the service. About 98 percent of the respondents indicated that they were treated courteously, and 90 percent of those recontacted indicated that their preferred method of next contact with SSA would be by telephone.

Table 27

TELEPHONE CALLS HANDLED BY TELESERVICE CENTER REPRESENTATIVES ON SSA'S NATIONAL 800 NUMBER SERVICE

Month/Year	Call Volume 1/	Busy Signal Rates 2/
1988		
OCTOBER	2,535,488	16.5
NOVEMBER	2,593,694	16.2
DECEMBER	2,749,838	17.0
1989		
JANUARY	5,924,057	47.8
FEBRUARY	4,947,634	34.2
MARCH	3,421,560	9.3
APRIL	2,883,579	10.2
MAY	2,961,705	10.4
JUNE	2,800,081	8.2
JULY	2,727,447	9.2
AUGUST	3,234,705	10.1
SEPTEMBER	2,945,928	11.2
OCTOBER	5,783,336	30.4
NOVEMBER	8,377,082	51.4
DECEMBER	4,262,190	14.3

1/ CALLS OFFERED--The number of calls offered by the service contractor to teleservice centers. Includes redial attempts.

2/ BUSY SIGNAL RATES--Percentage of calls offered to the teleservice centers that received a busy signal.

GAO
United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

March 22, 1990

The Honorable William H. Natcher
Chairman, Subcommittee on Labor,
  Health and Human Services
  and Education
  Committee on Appropriations

Dear Mr. Chairman:

The enclosed materials accompany the briefing we conducted for the Subcommittee on March 21, 1990 on staffing for the Social Security Administration's 800 number service. Copies of these materials have been discussed with Social Security Administration officials and their comments incorporated, where appropriate.

As discussed with your office, our work on issues related to SSA's 800 number service is continuing and we will keep the Subcommittee appraised of any changes to the attached information during your consideration of SSA's fiscal year 1991 appropriations. If any further questions arise, please contact me at (202) 275-6193.

Sincerely yours,

Sarah F. Jaggar
for Joseph F. Delfico
Director, Income Insecurity Issues

Enclosure

GAO House Appropriations
Subcom. on Labor, HHS, & Ed.

SOCIAL SECURITY ADMINISTRATION

Staffing for SSA's 800 Telephone Service

GAO

Objectives, Scope, and Methodology

- Determine the Basis for SSA's 1991 Staffing Budget for 800 Phone Service
- Reviewed Studies and Documentation Supporting Staffing Estimates
- Interviewed SSA Officials
- Our Work Conducted Between January and March 1990

GAO

Implementation of 800 Phone Service

- October 1988:
  - SSA Began Service for 60 % of Country
- October 1989:
  - SSA Began Expanding Service to Remainder of Country

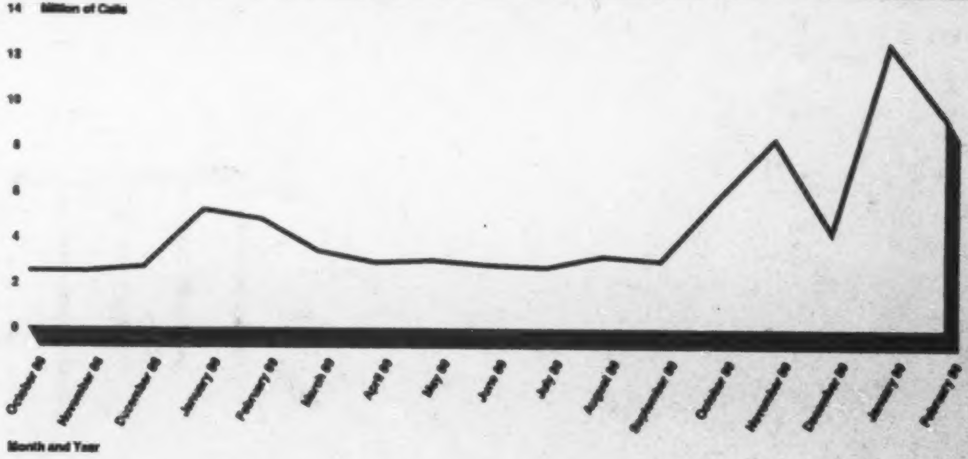
GAO

Implementation of 800 Phone Service

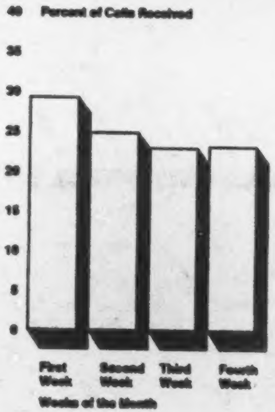
- November 1989:
  - Service Expansion Stopped Due to Large Call Volume and High Busy Signal Rates
- March 1990:
  - About 85 % of Country Being Served

GAO

Call Volume for 800 Service by Month (10/88 to 2/90)

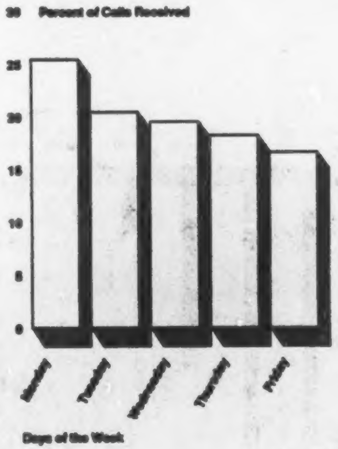


GAO Typical Call Volume Distribution by Weeks



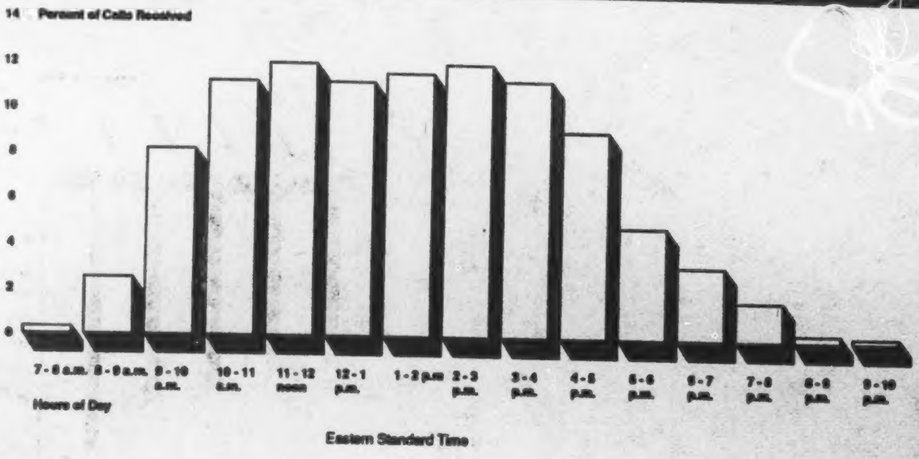
GAO

Typical Call Volume Distribution by Days



GAO

Typical Call Volume Distribution by Hours



GAO

Performance of 800 Phone Service

- Relatively Good Service Most of First Year (10/88-9/89)
  - Average Monthly Busy Rate was 16 %
- First Year Peaks:
  - 1/89 - 43 % Busy Rate
  - 2/89 - 34 % Busy Rate

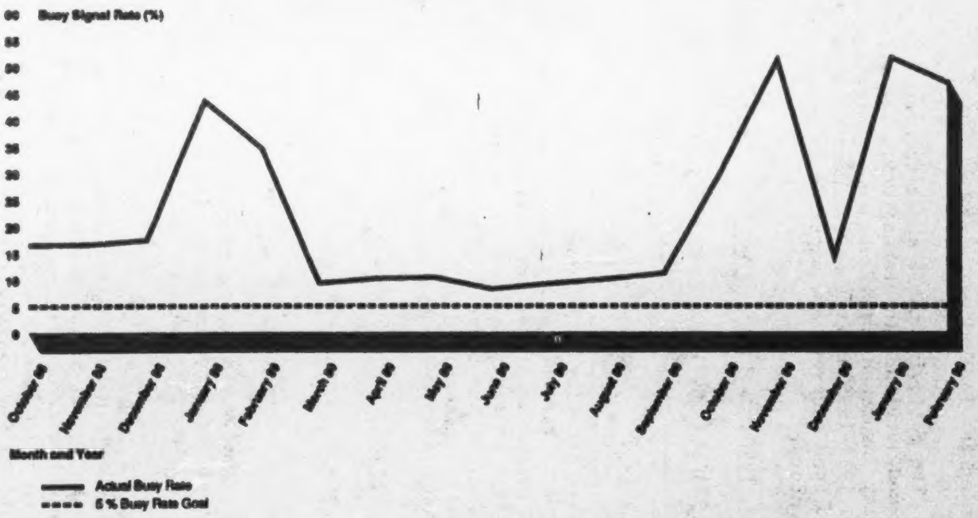
GAO

Performance of 800 Phone Service

- Busy Rate Increased in Second Year
  - 10/88 to 2/89 - 26 %
  - 10/89 to 2/90 - 39 %
- Second Year Peaks:
  - 11/89 - 51 % Busy Rate
  - 01/90 - 52 % Busy Rate
  - 02/90 - 47 % Busy Rate

GAO

Busy Signal Rate By Month (10/88 to 2/90)



The 5 % service level goal was SSA originial goal for the 800 phone service

The actual busy rates represent the average busy rate for the entire month

TRUST FUND BALANCES

Mr. Natcher: Much of the current debate about Social Security is focused on the critical area of Social Security trust fund balances. Could you review for us briefly what the current balances are, how they will change in the next few years and their role in determining the Federal deficit?

Mrs. King: The following table shows the reserves of the Federal Old-Age and Survivors Insurance (OASI) Trust Fund and the Federal Disability Insurance (DI) Trust Fund at the end of each fiscal year (FY) 1989-1995 under the President's budget for FY 1991. The trust fund reserves are expected to grow steadily well into the next century.

	1989	1990	1991	1992	1993	1994	1995
OASI	$148.3	$206.6	$281.0	$367.3	$466.5	$581.5	$709.0
DI	8.4	12.1	18.0	24.9	33.1	42.3	52.0
OASDI	$156.7	$218.7	$299.0	$392.2	$499.6	$623.8	$761.0

Because Social Security trust fund operations are included as part of total Federal revenues and expenditures under Gramm-Rudman-Hollings deficit-reduction procedures, annual increases in trust fund reserves offset an equivalent amount of deficit in the non-Social Security part of the budget. The following table reflects the annual increases in combined OASI and DI Trust Fund reserves for FYs 1989 through 1995 under the President's Budget for FY 1991:

	1989	1990	1991	1992	1993	1994	1995
OASDI	$52.5	$62.0	$80.3	$93.1	$107.4	$124.3	$137.2

INDEPENDENT AGENCY

Mr. Natcher: What would be the fiscal impact on your operating budget if the Social Security Administration were established as a separate agency? Wouldn't it increase overhead costs?

Mrs. King: As a component of HHS, SSA's share of the cost of Department operations is paid from its administrative appropriation or directly from the Social Security trust funds. If SSA were made an independent agency and chose to provide all those services internally, ongoing costs should be approximately the same but startup costs could be considerable for establishing, for example, a new personnel/payroll system.

QUALITY CONTROL SYSTEM

Mr. Natcher: The Committee has been told that a survey conducted last month showed that 83 percent of your managers believe that they are losing ground on postentitlement work and that 68 percent believe that the quality control system is ineffective. Do you agree with the figures?

Mrs. King: That survey was conducted earlier this fiscal year prior to the release of resources from the contingency tap and funds that had been held back because of the possibility of sequestration. The agency was under a hiring freeze and very limited amounts of overtime were available. The agency will be hiring more staff over the next several months and additional overtime has been authorized. The survey reflected the managers' perception of the shortage of resources at that time.

We are currently in the process of instituting a new in-line quality control program in the field offices. The new system permits the offices to focus on their own specific problem areas, including postentitlement issues. It is designed to correct errors before they leave the office, thereby reducing future rehandling. We have established a technical assistant position which will be an integral part of the quality assurance program. In addition to serving as a technical resource to field office personnel, the technical assistants will perform in-line reviews in the claims and postentitlement areas. The regions are currently filling those positions. We believe that the results of the survey, which was conducted in the middle of this changeover, reflect opinions that will change once the system is fully in place.

PROCESS REVIEW REPORT

Mr. Natcher: On February 26 you released a report on process reviews of field operations which we will insert in the record at this point. What are the key problems identified in these reviews which have not already been discussed?

Mrs. King: We have discussed the issues of staffing imbalances and the build-up of some pending workloads and increases in processing times. Other key problems uncovered in the process reviews were:

- Performance goals contributed to unproductive or unsound practices and relegated less visible work to low priority.
- In some offices waiting times grew to levels unacceptable to SSA or to the public.
- More operating terminals and personal computers are needed in field offices for maximum efficiency and speed of service.
- Training needs have suffered due to work pressures.
- Some office environments are in great need of improvement.
- Communications throughout SSA need improvement, and we need to insure full planning and testing of proposed changes.

We have developed an action plan to address the major problems identified by the process reviews. These include "immediate" actions and "near term" actions. Immediate actions include:

- Lift the hiring freeze for field offices with the most serious staffing needs;
- Provide for needed training;
- Suspend current numerical performance goals and emphasize the full range of services to be provided to the public;
- Ensure that adequate supplies are on hand in each office;

- Establish "strike teams" under my auspices, to conduct onsite visits to SSA's field offices and grant relief to problems onsite or bring them back for solution at the national level; and
- Enhance communications among offices and between managers and the Office of the Commissioner.

Near term actions include:

- Seek employees willing to reassign to offices with staffing needs;
- Identify workloads which could be moved to offices or components with more available resources;
- Restructure how waiting times are measured;
- Redesign field office reception area layouts and procedures;
- Provide additional terminals, printers and personal computers to field offices; and
- Establish an Office of Ombudsman in the Office of the Commissioner.

Mr. Natcher: Does the 1991 budget have enough funds to fully implement the action steps which you identified in the February 26 report? We're talking about staff, computers, furniture, training, etc.

Mrs. King: Yes, I believe the FY 1991 budget has sufficient funds to implement the action items from the report on process reviews. In fact, a number of those actions are already underway. For example,

- We have lifted the hiring freeze for those field offices with the most serious staffing needs, and we are planning to increase SSA employment by more than 1,000 nationwide during FY 1990.

- We have suspended numerical performance goals, which in some cases led to unsound or unproductive practices and which did not always accurately reflect the overall quality of service. In the meantime, we will develop a new set of performance standards based on national standards for public service that truly result in better service.

- We have established "strike teams" to conduct onsite visits to SSA field offices and analyze individual office needs. These teams have the authority to grant relief to problems (e.g., hiring, equipment, supplies) or to bring them back for an expedited solution at the national level.

In addition, the budget provides for acquisition of additional terminals and personal computers which will move us closer to our goal of a one-to-one ratio of terminals or computers for employees who need that equipment. The FY 1991 budget request also provides funds for additional modular furniture acquisition and installation in SSA's field offices, to improve the work environment, accommodate automation changes, conserve space and improve efficiency. We plan to continue this effort over the next few years until all SSA field offices are so equipped.

SUSPENSION OF NUMERIC PERFORMANCE GOALS

Mr. Natcher: **Mrs. King, we understand that you have temporarily suspended numeric performance standards for field employees. Why was this done and what impact will it have?**

Mrs. King: Numeric performance standards were suspended for all SSA employees because the Process Review teams found that offices were concentrating limited resources on meeting numeric goals by ever greater margins, often with no commensurate gain in true service to the public, and often causing other unmeasured workloads to accumulate.

SSA management is working very closely at the national level with the employee unions to insure that no employee is disadvantaged by this temporary suspension and to insure that employee concerns are properly considered in the development of new, more service-oriented standards.

DEVELOPMENT OF NEW MEASUREMENTS OF EMPLOYEE PERFORMANCE

Mr. Natcher: Is this a temporary step or do you plan to develop new systems both for projecting workload requirements and measuring employee performance?

Mrs. King: This suspension is definitely a temporary step. It is important to understand that during the suspension all key measures of SSA's service will continue to be measured for program management purposes. The major difference is that there will be no numeric goals set for performance management for organizations, managers or individual employees.

During the suspension we will also be developing new, truly service-oriented performance goals for SSA, emphasizing our Agency philosophy of service to the public with compassion, courtesy, consideration, efficiency and accuracy.

SSA'S COMPUTER SYSTEM

Mr. Natcher: What is the current ratio of computer terminals to employees in field offices and how does this compare to your goal?

Mrs. King: SSA currently has about 27,000 terminals acquired for the modernized claims system (TAP terminals), which are located primarily in field offices and teleservice centers, and about 7,800 personal computers; which gives us a ratio of about 1 terminal or computer for every 2 employees. Our goal is to improve that ratio to 1 for 1, so that every employee who needs a terminal or computer will have one.

Mr. Natcher: Are funds included in the 1991 request to achieve the terminal to user ratio which you consider ideal?

Mrs. King: The FY 1991 budget request includes funding to increase the numbers of terminals and computers and move closer to the ideal, which is an appropriate workstation for every employee who needs one; but we do not expect to achieve that in FY 1991. It is important to note that the number of employees needing a computer terminal is not static--as we put additional software enhancements into use, more of SSA's employees have need of one. Also, for the future we will be looking at the most cost-effective way to provide multipurpose workstations for those employees who need them.

Mr. Natcher: Mrs. King, is the Social Security computer system the largest in the world?

Mrs. King: Although SSA doesn't track the relative sizes of computer systems, our data processing facility is among the largest in the world.

Mr. Natcher: Over 40 million people depend on your computers to deliver their basic income checks accurately and on time. What type of backup systems are in place in case of a major system failure?

Mrs. King: At present, SSA has a contract with a commercial disaster recovery center to provide computer capacity capable of processing important components of the critical SSA workload. SSA tests this service annually. SSA has also put into place various physical and logical mechanisms to ensure the security of our systems. However, SSA is, as you suggest, keenly aware that over 40 million people depend on our computers to deliver their basic income checks accurately and on time. SSA recognizes that its ever-growing dependence on information systems and its on-line use throughout the Agency will increase our vulnerability over time to risks associated with major systems failure.

For this reason, one of my priorities this year has been to insist that we determine SSA's real needs in the area of systems backup and recovery and develop a long-term plan to meet those needs. We have requested the assistance of the National Academy of Sciences in this endeavor, and have been working with a subcommittee of the Academy over the last several months to identify reasonable, pursuable alternatives. I assure you that SSA is committed to maintaining through the next decade a systems environment, including backup, which minimizes risk to the public.

"800" NUMBER TELEPHONE SERVICE

Mr. Natcher: Mrs. King, we want to go back to the "800" number telephone system for a few minutes. How much money is expected to be spent on this system in 1990 and 1991?

Mrs. King: For fiscal year 1990 a total of $141.2 million has been budgeted for the "800" number, of which $100.2 million is for payroll costs. For fiscal year 1991 a total of $148.5 million has been budgeted, of which $100.7 million is for payroll costs. Workyear usage is estimated to be 3,800 to 3,900 in both years.

Mr. Natcher: How many calls per day is the system designed to handle and how many are you currently receiving on your average and busiest days?

Mrs. King: We anticipated setting up a system that would receive 253,000 calls per day. During the period January 2, 1990 through March 19, 1990, an average of 504,000 calls per day were originated. On the 18 busiest, or "peak", days an average of 864,000 calls per day were originated. The regular or "non-peak" days saw an average of 320,000 calls per day originated.

Mr. Natcher: What is the current accuracy of information given out by the teleservice representatives?

Mrs. King: Effective with nationwide implementation of the "800" number in October 1989, SSA began a national quality assurance program for the teleservice centers. Six month's data from the new program are needed to establish a new accuracy baseline. The first 6-month period concluded with the end of March 1990. Preliminary data available from the period October 1989 through December 1989 show an overall accuracy rate of 97 percent for information that could affect payment or eligibility.

UNRECONCILED WAGE REPORTS

Mr. Natcher: What is the current backlog of unreconciled wage records from the Internal Revenue Service and tell us how serious this problem is?

Mrs. King: There are approximately 440,000 cases that remain to be resolved. This is out of the almost 6 million total that we initially had for investigation for the years 1978 to 1987. We are on schedule to virtually complete these backlog cases, as well as the current year cases for tax year 1988. We will make every effort within available resources to complete this workload this year. This will make our processing completely current. We continue to closely monitor this process. We believe the backlog situation is well under control and near resolution.

HEARINGS AND APPEALS WORKLOAD

Mr. Natcher: Would you briefly review for us the current situation with respect to backlogs and processing times for the hearings and appeals workload?

Mrs. King: Our preliminary estimate of the number of hearings pending at the end of December 1989 is 160,943. The following table shows estimated hearings processed and pending as included in the FY 1991 President's budget for FY 1990 and FY 1991.

	FY 1991 President's Budget	
	1990	1991
Workloads		
Hearings Processed . . .	312,700	338,700
Hearings Pending	159,268	152,268

The average age of pending hearing cases was reduced from 142 days in June 1989 to 135 days in September 1989. The number of hearing cases pending over 120 days was reduced from 75,089 cases (48 percent of the workload) in June 1989 to 67,495 cases (46 percent of the workload) in September 1989.

The following table shows recent data for hearings processing times, measured from the date of the request for hearing to date of final disposition.

Processing Times for Hearings
Quarter Ending

	12/87	12/88	6/89	9/89	12/89*
Days	211	213	218	215	212

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* Data are for the month of December 1989.

Mr. Natcher: Have additional resources been assigned to the problem in your revised 1990 and 1991 spending plans?

Mrs. King: As of February 24, 1990, SSA had 684 administrative law judges (ALJs) on duty. We estimate that SSA will need 764 ALJs on duty by the end of FY 1991, and this is consistent with our current plans.

Due to the funding and hiring constraints that existed at the beginning of FY 1990, the Office of Hearings and Appeals (OHA) will only be able to maintain current pending levels for hearings in FY 1990, even with allocation of recently released contingency funds. However, the President's FY 1991 budget request does provide sufficient resources for OHA to fund increased ALJ and support staff levels. This would allow OHA to reduce the level of hearings that are pending in FY 1991.

1990 SPENDING PLAN

Mr. Natcher: Insert in the record a funding table displaying by major activity the 1990 budget, the current 1990 spending plan and any differences.

Mrs. King: The following table shows planned spending by major activity for the Limitation on Administrative Expenses for FY 1990, as included in the FY 1990 President's budget, the FY 1991 President's budget, and in the current spending plan including the recent release of $48 million in contingency funds:

Limitation on Administrative Expenses - FY 1990 Estimates
(dollars in thousands)

	FY 1990 President's Budget	FY 1991 President's Budget	Current Spending Plan
Regular Salaries and Expenses	$2,832,519	$2,813,519	$2,842,389
Disability State Agencies	750,000	746,000	749,000
Information Technology Systems	203,000	180,000	196,000
Unobligated Contingency Reserve	47,870	97,870	50,000
Total Budget Authority	$3,833,389	$3,837,389	$3,837,389

Mr. Natcher: Do you plan to significantly revise the current strategic plan for Social Security or the basic method of budget development?

Mrs. King: We are revising SSA's strategic plan based on the Agency's basic objectives to improve public service, maintain the integrity of the trust funds and provide the best possible work environment for our employees. This will affect the plans which feed into our current technical budget development process.

ITS SPENDING

Mr. Natcher: Provide a table for the years 1982-1990 showing total spending on data processing with amounts for the Systems Modernization Plan broken out separately when available.

Mrs. King: The following table shows SSA's obligations for information technology systems (ITS) for fiscal years (FYs) 1982 through 1991 from the Limitation on Administrative Expenses (LAE) account. The ITS budget includes funds for lease and purchase of automated data processing (ADP) and telecommunications hardware and software, supplies and contractual services; and procurement, lease and maintenance of major telephone systems. Also, beginning in FY 1987, the ITS budget includes lease, maintenance and voice communication costs, as well as purchase of major telephone systems.

ITS Budget History

Fiscal Year	Obligations
1982	$112,575,000
1983	$124,053,000
1984	$126,138,000
1985	$130,072,000
1986	$186,809,000
1987	$214,695,000
1988	$255,917,000
1989	$225,055,000
1990 current estimate.	$204,178,000[1]
1991 estimate.	$240,000,000

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[1] Includes $16 million recently released from the contingency reserve for ITS.

For FYs 1982 through 1988 SSA tracked costs of the Systems Modernization Plan (SMP), which was established in FY 1982 to address a broad range of SSA's ADP problems. Cumulative costs for the SMP for FY 1982 through FY 1988 were about $460.0 million, including $385.4 million from the ITS expenses shown in the preceding table and $74.6 million for personnel, training, supplies and other non-ITS costs associated with the SMP.

Major goals of the SMP have been successfully achieved. However, SSA's experience with the SMP led to a refocussing of systems activities, and changes in the way systems costs are tracked. For FY 1989 and later years, we are tracking ITS expenses according to those required for ongoing maintenance and delivery of current services, and those for systems enhancements and additional modernization (excluding related personnel and other costs). The following table shows estimated LAE ITS costs for FY 1989 through FY 1991 for maintenance of current systems and for systems enhancements. The estimate for FY 1990 includes an increase of $16 million from the amount shown for FY 1990 in the FY 1991 President's budget, reflecting the recent release of contingency funds.

ITS Budget
(obligations in millions)

	1989 Actual	1990 Estimate	1991 Estimate
Maintenance of current systems	$150.7	$171.0	$191.9
Systems enhancements	74.4	33.2	48.1
Total	$225.1	$204.2	$240.0

HISTORICAL TABLES

Mr. Natcher: Insert in the record at this point the traditional set of history tables on Social Security programs requested by the Committee each year. Add to this set the table requested last year which displays the amounts originally made available in the LAE account, the amount lapsed and the amount of the contingency reserve not used.

Mrs. King: The information follows.

NUMBER OF BENEFICIARIES, AVERAGE FOR FISCAL YEAR
(in millions)

Program	1985	1986	1987	1988	1989
Old-age and survivors insurance	32.7	33.3	33.8	34.2	34.6
Disability insurance	3.8	3.9	4.0	4.1	4.1
Supplemental Security Income *	4.1	4.2	4.3	4.4	4.5
Disabled Coal Miners	0.3	0.3	0.3	0.3	0.2

* Includes beneficiaries receiving only a federally administered State supplement.

SOCIAL SECURITY TAXES

Year	Tax Rate Employer/ Employee Each (%) 1/	Maximum Wages Taxable	Maximum Annual Tax Employer/ Employee Each 1/	Average Annual Tax Employer/ Employee Each 2/
1937	1.0	$3,000.00	$30.00	$9.00
1938	1.0	3,000.00	30.00	8.33
1939	1.0	3,000.00	30.00	8.81
1940	1.0	3,000.00	30.00	9.32
1941	1.0	3,000.00	30.00	10.21
1942	1.0	3,000.00	30.00	11.42
1943	1.0	3,000.00	30.00	13.10
1944	1.0	3,000.00	30.00	13.92
1945	1.0	3,000.00	30.00	13.57
1946	1.0	3,000.00	30.00	14.15
1947	1.0	3,000.00	30.00	16.02
1948	1.0	3,000.00	30.00	17.16
1949	1.0	3,000.00	30.00	17.48
1950	1.5	3,000.00	45.00	27.18
1951	1.5	3,600.00	54.00	30.54
1952	1.5	3,600.00	54.00	32.39
1953	1.5	3,600.00	54.00	33.50
1954	2.0	3,600.00	72.00	44.12
1955	2.0	4,200.00	84.00	47.62
1956	2.0	4,200.00	84.00	50.50
1957	2.25	4,200.00	94.50	56.99
1958	2.25	4,200.00	94.50	58.28
1959	2.5	4,800.00	120.00	69.55
1960	3.0	4,800.00	144.00	84.45
1961	3.0	4,800.00	144.00	86.37
1962	3.125	4,800.00	150.00	90.78
1963	3.625	4,800.00	174.00	106.65
1964	3.625	4,800.00	174.00	110.67
1965	3.625	4,800.00	174.00	112.67
1966	4.2	6,600.00	277.20	152.17
1967	4.4	6,600.00	290.40	163.99
1968	4.4	7,800.00	343.20	181.54
1969	4.8	7,800.00	374.40	206.45
1970	4.8	7,800.00	374.40	211.58
1971	5.2	7,800.00	405.60	234.88
1972	5.2	9,000.00	468.00	257.71
1973	5.85	10,800.00	631.80	323.68
1974	5.85	13,200.00	772.20	361.47
1975	5.85	14,100.00	824.85	388.03
1976	5.85	15,300.00	895.05	419.56
1977	5.85	16,500.00	965.25	451.04
1978	6.05	17,700.00	1,070.85	499.31
1979	6.13	22,900.00	1,403.77	575.50
1980	6.13	25,900.00	1,587.67	631.30
1981	6.65	29,700.00	1,975.05	755.72
1982	6.7	32,400.00	2,170.80	821.25
1983	6.7	35,700.00	2,391.90	865.98
1984	7.0	37,800.00	2,646.00 3/	964.19 3/
1985	7.05	39,600.00	2,791.80	1,007.20
1986	7.15	42,000.00	3,003.00	1,053.13
1987	7.15	43,800.00	3,131.70	1,087.15
1988	7.51	45,000.00	3,379.50	1,198.63
1989	7.51	48,000.00	3,604.80	1,439.29
1990	7.65	51,300.00	3,924.45	1,578.04
1991	7.65	54,300.00	4,153.95	1,683.23
1992	7.65	57,600.00	4,406.40	1,790.64
1993	7.65	61,200.00	4,681.80	1,893.60
1994	7.65	65,100.00	4,980.15	1,990.07
1995	7.65	68,700.00	5,255.55	2,087.61

1/ Excludes self-employment.

2/ For several reasons, employer and employees shares are not exactly equal (e.g., treatment of withholding on tips since 1966). Numbers shown are for employees. Medicare tax (HI) paid by Federal employees beginning in 1983 is not included.

3/ P.L. 98-21 provides that for 1984 only an employee may receive a tax credit equal to 0.3 percent of his taxable coverage wages.

INDIVIDUALS RECEIVING TITLE II BENEFITS
(Monthly Benefits in Current Payment, End of Calendar Year)

Year	Beneficiaries
1940	222,488
1941	433,722
1942	598,342
1943	747,816
1944	954,881
1945	1,288,107
1946	1,642,299
1947	1,978,245
1948	2,314,557
1949	2,742,808
1950	3,477,243
1951	4,378,985
1952	5,025,549
1953	5,981,420
1954	6,886,480
1955	7,960,616
1956	9,128,121
1957	11,128,897
1958	12,430,234
1959	13,703,918
1960	14,844,589
1961	16,494,762
1962	18,053,395
1963	19,035,489
1964	19,799,539
1965	20,866,767
1966	22,767,252
1967	23,704,987
1968	24,560,374
1969	25,314,062
1970	26,228,629
1971	27,291,508
1972	28,476,028
1973	28,868,775
1974	30,852,817
1975	32,084,511
1976	33,020,946
1977	34,077,142
1978	34,586,343
1979	35,124,495
1980	35,618,840
1981	36,006,371
1982	35,840,411
1983	36,084,823
1984	36,478,971
1985	37,058,353
1986	37,708,225
1987	38,190,192
1988	38,627,022
1989	39,151,370

	Average Monthly Retirement Benefits at End of Year 1/		Maximum Monthly Retirement Benefits at End of Year 1/ 2/	
Year	Worker Only	Couple	Worker Only 3/	Couple
1940	$22.10	$36.40	$41.20	$61.80
1941	22.10	36.30	41.60	62.40
1942	22.50	36.80	42.00	63.00
1943	22.90	37.50	42.40	63.60
1944	23.00	37.90	42.80	64.20
1945	23.50	38.50	43.20	64.80
1946	23.90	39.00	43.60	65.40
1947	24.20	39.60	44.00	66.00
1948	24.60	40.40	44.40	66.00
1949	25.30	14.40	44.80	67.20
1950	42.40	71.70	45.20	67.80
1951	40.30	70.20	68.50	102.70
1952	47.10	81.60	68.50	102.70
1953	48.80	85.00	85.00	127.50
1954	56.50	99.10	85.00	127.50
1955	59.10	103.50	98.50 3/	147.70
1956	59.90	105.90	103.50	155.20
1957	60.90	108.40	108.50	162.70
1958	62.60	111.20	108.50	162.70
1959	68.70	121.60	116.00	174.00
1960	69.90	123.90	119.00	178.50
1961	71.90	126.60	120.00	180.00
1962	72.50	127.90	123.00	184.50
1963	73.20	129.40	125.00	187.50
1964	73.90	130.70	127.00	190.50
1965	80.10	141.50	135.90	203.80
1966	80.60	142.50	135.90	203.80
1967	81.70	144.20	140.00	210.00
1968	95.00	166.30	161.60	242.40
1969	96.60	168.90	167.30	250.00
1970	114.20	198.90	196.40	294.60
1971	127.40	222.30	220.40	330.60
1972	157.10	272.50	269.70	404.60
1973	161.60	276.70	276.40	414.60
1974	183.10	312.30	316.30	474.50
1975	201.60	343.90	360.40	540.60
1976	218.80	373.10	403.10	604.70
1977	236.80	404.40	447.40	671.10
1978	256.60	437.50	489.70	734.60
1979	287.00	488.60	553.30	830.00
1980	333.00	566.60	563.80	980.70
1981	376.70	643.00	752.90	1129.40
1982	408.90	702.50	729.00 4/	1063.00 4/
1983	429.70	742.90	734.00	1101.00
1984	448.20	780.40	728.00	1092.00
1985	465.60	814.20	739.00	1108.00
1986	477.00	832.00	769.00	1153.00
1987	501.00	876.00	822.00	1233.00
1988	524.87	917.00	872.00	1308.00
1989	553.82	966.40	951.00	1426.00

1/ Prior to 1940 benefits were not paid monthly.

2/ Assumes retirement (age 65) at beginning of year.

3/ For 1962—1977, maximum benefits for men and women were different; amount shown is the higher (women's).

4/ Beginning in 1982, maximum benefits are less than in 1981 because of the impact of wage indexing and decoupling under the 1977 amendments.

PAYMENT ERROR RATES

(in percent)

Six-Month Period Ending:	Supplemental Security Income	Old-Age & Survivors Insurance	Disability Insurance
September 1976	6.3	1/	1/
September 1977	5.2	1/	1/
March 1978	4.6	1/	1/
September 1978	4.6	1/	1/
March 1979	5.0	0.21	1/
September 1979	4.9	0.28	19.3 3/
March 1980	5.0	1/	1/
September 1980	4.9	1/	27.8
March 1981	5.3	0.66 2/	1/
September 1981	4.9	0.40	1/
March 1982	4.8	0.40	1/
September 1982	4.1	0.45	1/
March 1983	4.1	0.49	1/
September 1983	3.6	0.52	1/
September 1984 4/	3.3	0.50	1/
September 1985	3.3	0.48	1/
September 1986	3.9	0.35	1/
September 1987	3.8	0.30	1/
September 1988	3.5	0.20	1/
September 1989	1/	0.20	1/

1/ Not available.

2/ Includes 0.3 percent related to ongoing benefit payments; and for the first time, includes the impact of the annual earnings test (0.3%).

3/ For April 1979--one month only.

4/ 12-month measuring period effective 1984.

AVERAGE LEVEL OF PAYMENT
END OF CALENDAR YEAR
(dollars)

Program	1985	1986	1987	1988	1989
OASI (all retired workers)	478.62	488.44	512.65	536.77	566.85
DI (all disabled wokers)	483.86	487.86	508.21	529.50	555.99
SSI	226.06	244.48	251.58	260.18	274.63
BL (includes benefits for wives and/or children)	474.30	474.00	488.70	499.10	520.90

PROCESSING TIMES

Mean Time in Days	12/85	12/86	12/87	12/88	12/89
Claims:					
• OASI	20.7	19.9	19.1	19.8	15.9
• DI	71.2	79.0	72.4	77.0	79.4
• SSI Aged	10.9	10.9	11.4	12.1	15.8
• SSI Blind and Disabled	64.7	80.1	76.3	80.8	87.3
Hearings	154.0	178.3	211.0	212.0	212.0

HEARINGS WORKLOADS

	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
Processed	244,311	220,313	247,138	280,760	302,076
Closing pending . . .	107,451	117,793	148,398	158,618	159,268

FEDERAL ADMINISTRATIVE COSTS
(Obligations in millions of dollars)

Program	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
Old-age and Survivors Insurance:					
Federal administrative expenses	$1,690.2	$1,801.8	$1,632.8	$1,759.0	$1,708.8
Percent of benefits	1.0	0.9	0.9	0.9	0.8
Disability Insurance:					
Federal administrative expenses	$603.1	$599.8	$709.6	$818.5	$743.9
Percent of benefits	3.2	3.1	3.4	3.7	3.3
Supplemental Security Income:					
Federal administrative expenses	$960.6	$1,041.4	$980.9	$1,005.7	$1,031.8
Percent of benefits *	9.2	9.0	8.0	7.5	7.3
Disabled Coal Miners:					
Federal administrative expenses	$5.9	$5.7	$5.1	$4.6	$4.2
Percent of benefits	0.6	0.6	0.5	0.5	0.5

* Includes federally-administered State supplemental benefits.

EXPENDITURES BY PROGRAM
(dollars in thousands)

Program	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989
Trust Funds:					
OASI	$172,613,552	$179,571,569	$186,779,742	$197,896,648	$240,140,754
DI	19,372,263	20,243,141	21,290,280	22,360,053	23,468,533
Total Trust Funds .	$190,985,815	$199,814,710	$208,070,022	$220,256,701	$233,627,287
Federal Funds:					
SSI	$9,606,378	$10,344,721	$10,909,274	$12,344,977	$12,554,727
Black Lung	1,039,607	993,568	955,230	918,850	892,712
Total Federal Funds	$10,645,985	$11,338,289	$11,864,504	$13,263,927	$13,447,439

LAE Appropriation, Lapse, and Unused Contingency Funds

The following table shows total funds appropriated by Congress for SSA's Limitation on Administrative Expenses account for each of the last seven fiscal years (including no-year information technology systems funds), the amount of one-year funds that lapsed, and the amount of unused contingency reserve funds (whether or not apportioned by the Office of Management and Budget):

FY	Total Appropriation	Apportionment Less Obligations[1]	Unused Contingency
1983	$3,511,885,000	$94,208,430	$50,000,000
1984	3,718,303,000	97,634,607	50,000,000
1985	3,787,515,000	116,899,723	50,000,000
1986	3,848,443,000[2]	49,099,704	138,765,000
1987	3,840,000,000	19,527,705	160,000,000
1988	3,524,114,000[3]	16,906,415	47,870,000
1989	3,750,113,000	10,775,963	10,775,963

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[1] This column represents the lapse of one-year funds, apportioned but not obligated.

[2] The 1986 appropriation amount represents funds available after the sequester order which reduced budget authority by $144,043,000. However, the FY 1986 appropriation amount includes $266,000 for consulting and related services which was unavailable for obligation (§515, FY 1986 Treasury Appropriations Bill).

[3] The FY 1988 appropriation includes $6,682,000 for travel and transportation which was unavailable for obligation under §512 of the Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, FY 1988 (Public Law 100-202).

In FY 1983, $37,823,000 of the contingency reserve was apportioned to SSA. None of the contingency reserve was apportioned from FY 1984 through FY 1988. The entire contingency of $96,695,560 was apportioned in FY 1989.

ERGONOMIC FURNITURE

Mr. Natcher: Through 1990, how many of your field offices will be equipped with ergonomic furniture?

Mrs. King: Through FY 1990 we will have installed modular furniture in a total of 321 field offices and 3 teleservice centers.

Mr. Natcher: How much is requested in your 1991 budget for new furniture and site preparation? How many field offices will be upgraded with this funding?

Mrs. King: We have requested $30 million in FY 1991 to install modular furniture. Of this amount, $25 million covers the cost of design, manufacture and installation of the furniture and $5 million is for site preparation. We will be able to install approximately 5,000 workstations in about 150 field offices based on an estimated cost of $5,000 per workstation and an average of 38 workstations per field office.

Mr. Natcher: How much would it cost to provide the remaining field offices with ergonomic furniture? What is a reasonable period of time to upgrade the remaining offices?

Mrs. King: SSA has approximately 1,300 field offices, and modular furniture will have been installed in 321 of them, as well as in 3 teleservice centers, by October 1, 1990, leaving 979 field offices to complete the project. We have budgeted to furnish approximately 150 more field offices in FY 1991, which will leave about 800 offices without ergonomic furniture by the end of FY 1991.

Considering all other workloads, the Federal Prison Industries, which manufactures our present ergonomic furniture, should be able to manufacture approximately $41 million worth of modular furniture annually for the SSA field offices. In consideration of past price increases, the average cost estimate per installed workstation is projected to increase to $5,500 (excluding site preparation) over the remainder of the project. Assuming an average cost of $5,500 per workstation and an average of 38 workstations per field office, we estimate that approximately 200 field offices could be completed annually and we could complete the project by the end of FY 1995.

Mr. Natcher: Provide a table from 1986 to 1990 which displays expenditures for field office furniture and the number of offices receiving ergonomic furniture.

Mrs. King: The table follows:

Fiscal Year	Amount Obligated (millions)	Offices Installed
1986	---	---
1987	$5	---
1988	31	87
1989	14	160
1990	---	77*
Total	$50	324

* The furniture for the 77 offices to be completed in FY 1990 was purchased with FY 1989 funds.

Mr. Natcher: What is the average cost per employee or per office for ergonomic furniture?

Mrs. King: The average cost of the workstations is approximately $5,000 (excluding site preparation) for our field offices and approximately $2,500 for our teleservice centers. The average cost of field office workstations is expected to increase to about $5,500 over the remainder of the project.

SYSTEMS MODERNIZATION EXPENDITURES

Mr. Natcher: Provide a summary by year of the systems modernization expenditures from 1982 to 1991.

Mrs. King: Cumulative costs for the Systems Modernization Plan (SMP) for fiscal year (FY) 1982 through FY 1988 were about $460 million. This includes $385.4 million for automated data processing (ADP) and telecommunications equipment and contractual services, which are part of the information technology systems (ITS) budget, and $74.6 million for personnel, training, supplies and related expenses. A summary by year of total SMP expenditures, including ITS, personnel and other costs is shown in the following chart:

Systems Modernization Plan Costs

Fiscal Year	$ in Millions
1982	$8.5
1983	33.2
1984	57.6
1985	69.3
1986	113.7
1987	87.6
1988	90.1
Total	$460.0

The SMP was a dynamic plan established in FY 1982 to address a broad range of SSA's ADP problems. Major goals of the SMP have been successfully achieved. However, experience with the SMP led to a refocusing of systems activities and changes in the way systems costs are tracked. For FY 1989 and later years, we are tracking ITS expenses according to those required for ongoing maintenance and delivery of current services, and those for systems enhancements and additional modernization (excluding related personnel and other costs). The following table shows estimated ITS expenditures from the Limitation on Administrative Expenses for FY 1989 through FY 1991 for maintenance of current systems and for systems enhancements. The estimate for FY 1990 includes an increase of $16 million from the amount shown for FY 1990 in the FY 1991 President's budget, reflecting the recent release of contingency funds.

ITS Budget
(obligations in millions)

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Maintenance of current systems .	$150.7	$171.0	$191.9
Systems enhancements	74.4	33.2	48.1
Total	$225.1	$204.2	$240.0

Mr. Natcher: Provide a table which breaks down the major computer maintenance costs from 1988 to 1991.

Mrs. King: The following table breaks out the ongoing costs associated with maintaining SSA's existing automated data processing (ADP), data telecommunications (TC) and telephone service capabilities for fiscal years (FYs) 1988 through 1991 (dollars in millions):

	ADP/TC	Telephones	Total
FY 1988 (actual) . . .	$76.2	$77.5	$153.7
FY 1989 (actual) . . .	$71.6	$79.1	$150.7
FY 1990 (estimate) . .	$81.5	$89.5	$171.0
FY 1991 (estimate) . .	$93.2	$98.7	$191.9

As shown in the above table, telephone service costs, including the national "800" number service, make up over 50 percent of SSA's ongoing systems expenditures. The increases in ongoing costs over the fiscal years displayed above relate largely to the establishment of the national "800" number service and higher data communications line charges as a result of the on-line Modernized Claims System.

Mr. Natcher: What is the rate at which computer maintenance costs are expected to rise over the next several years, and what is being done to control these mandatory costs?

Mrs. King: The costs necessary to maintain current operations are expected to rise annually in proportion to workload growth, the rate of expansion of automation and inflation. SSA is undertaking a number of actions in an effort to control these costs. These include consolidation of equipment maintenance contracts to improve administration and reduce costs, and replacement of aging or obsolete equipment which is costly to maintain.

Mr. Natcher: What is being done to incorporate the latest technology and achieve the most efficient use of the current computer resources?

Mrs. King: SSA's efforts to incorporate the latest technology and achieve the most efficient use of the current computer resources include the recent installation of some of the latest model computers. We are now testing the latest operating system software available for these computers. On a continuing and formal basis, computer performance is monitored and systems are tuned to achieve maximum performance. To this end, we use the latest computer modeling tools and techniques.

State-of-the-art commercially available software is used in various segments of our computer operations. This software enables us to perform many functions automatically including computer job scheduling, managing our massive tape inventory, administering security functions and controlling our nationwide online telecommunications network.

The personnel who manage SSA's data center constantly search the market for new and improved products that might benefit our data processing operation. The costs and benefits of these products are carefully weighed and, if selected, the product undergoes rigorous testing before its implementation into our production environment. It is our practice to remain relatively current with the most up-to-date versions of software. I say relatively current because we have found that it is best to wait until products have been proven in the field, by others, before we install them at SSA.

Mr. Natcher: Have planned computer capacity management improvements been fully implemented?

Mrs. King: Yes, planned computer capacity improvements have been fully implemented on schedule. Significant improvements have been made in the area of workload and resource requirements forecasting. SSA employs state-of-the-art modeling tools and has integrated the data collection of performance and computer resource usage data for the current environment.

Mr. Natcher: Please review the data on fiscal year (FY) 1990 and 1991 computer system capacity improvements and their related costs?

Mrs. King: A review of the FY 1990 and FY 1991 computer capacity improvements and their related costs shows that SSA acquired three large, top-of-the-line computers in FY 1990. The FY 1990 portion of the 36-month lease-to-ownership terms is $6,377,000. The FY 1991 cost for these computers is budgeted at $7,813,000. The FY 1991 President's budget contains $4,500,000 for further computer capacity increases. We plan to add additional computers in FY 1991 to keep pace with the growing demand for computer services. We have observed that SSA's computer capacity growth rate mirrors that of other, similarly sized, private and Government organizations.

DISABILITY STATE AGENCIES' EXPENDITURES

Mr. Natcher: Provide a breakdown of the major expenditures in 1990 for Disability State Agencies and the components of the 1991 increase.

Mrs. King: The following table shows the major categories of expense for the Disability State Agencies for FY 1990 and FY 1991, as included in the FY 1991 President's budget (dollars in thousands):

	FY 1990	FY 1991	Change
Personnel Costs . . .	$433,677	$458,990	+$25,313
Medical Costs	168,113	186,024	+17,911
Indirect Costs . . .	54,210	57,833	+3,623
Other Costs	90,000	97,153	+7,153
Total	$746,000	$800,000	+$54,000
Workyears	11,100	11,296	+196

Since the President's budget was submitted, we tapped into the contingency reserve for $48 million. Of that amount, an additional $3 million has been allocated to the State agencies, bringing the current FY 1990 estimate for the Disability State Agencies to $749,000,000. This increase will be used primarily to fund an increase of 46 workyears, including related medical, indirect and other costs. The additional workyears will enable the State agencies to process more cases and reduce pending workloads.

The FY 1991 Disability State Agency budget will fund:

- An increase in workyears related to higher workloads, and State payroll cost increases;
- Increases in medical costs, including higher unit costs for consultative examinations and an increase in the rate of purchase of medical evidence of record due to court decisions requiring medical assessments from all treating and consulting physicians from whom evidence is obtained;
- Indirect costs for State support services; and
- Increased investment in automated data processing equipment and services for State agencies.

Mr. Natcher: The 1991 request includes $14 million for ADP equipment for Disability State Agencies. Have ADP improvements in these agencies been keeping pace with ADP improvements in SSA?

Mrs. King: Absolutely. The application of automation is every bit as necessary and effective for State disability programs as it is for SSA offices; in some ways even more so. The processing of disability cases in the State agencies requires preparing extensive amounts of reports, letters, determinations and extensive requests for information from medical providers. Providing disability professionals with workstations is occurring in a manner and at a pace very similar to that which has recently occurred in our SSA field offices. This translates to better service for our customers. We have requested this funding precisely for the purpose of giving State disability staff the same tools that are available to the rest of SSA.

SSA RESEARCH AND DEVELOPMENT

Mr. Natcher: How much is included in your budget for research and development and how will these funds be used?

Mrs. King: Two of the appropriation requests before this committee include funds for research and development contracts and grants in FY 1991. The Supplemental Security Income appropriation includes $2.3 million under the authority of section 1110 of the Social Security Act, and the Limitation on Administrative Expenses includes an estimated $3.8 million to be spent under the authority of section 702 of the Social Security Act. These funds will be used to support research to assist disabled beneficiaries to return to gainful work, and to conduct a variety of other studies which will provide information about our beneficiaries and support public policy formulation in the area of Social Security.

In addition, section 505 of the Social Security Act provides direct appropriations from the Disability Insurance Trust Fund to fund disability demonstration projects. SSA plans to spend $7 million in 1991 on disability demonstration projects.

Mr. Natcher: How much has been spent on research from 1986 to 1990 and how have the results been used?

Mrs. King: From FY 1986 through FY 1990, we estimate that SSA will have spent $28.4 million on research and development contracts and grants from two appropriations authorized by this committee. SSA will have spent $9.2 million from the Supplemental Security Income appropriation under the authority of section 1110 of the Social Security Act, including $3 million for FY 1990 for outreach demonstration projects. In addition, SSA will have spent $17.1 million from the Limitation on Administrative Expenses account under authority of section 702 of the Social Security Act. Most of the funds from the two accounts have been used to explore ways to return disabled beneficiaries to gainful work, and to support basic economic studies and data collection efforts which assist us in making trust fund projections and other related cost estimates which are provided to Congress and other decision makers to assess the impact of public policy choices.

In addition, section 505 of the Social Security Act provides direct appropriations from the Disability Insurance Trust Fund to fund disability demonstration projects. Based on this authority, SSA will have spent $21.7 million for disability demonstration projects from FY 1986 through FY 1990, including an estimated $6.5 million in FY 1990.

PERSONAL EARNINGS AND BENEFIT ESTIMATE STATEMENTS

Mr. Natcher: What are the current error rates on personal earnings and benefit records?

Mrs. King: In fiscal year 1989 3.8 percent of the 4.9 million earnings statements we sent out to members of the public resulted in the identification of an earnings problem (e.g., missing earnings, disagreement with an amount posted) which we took action to resolve. So far in fiscal year 1990 the rate is 3.4 percent.

Mr. Natcher: Why is it important for workers to request personal earnings and benefit records every 3 years?

Mrs. King: We encourage workers to ask for an earnings statement every 3 years to ensure that all covered earnings are properly posted. This is particularly important for workers who change jobs often, perform only seasonal work, or work for several different employers in a year.

Mr. Natcher: What is currently being done to inform workers about the need to check their records? Should this effort be enhanced?

Mrs. King: In August 1988, SSA implemented the new "Personal Earnings and Benefit Estimate Statement" (PEBES), which provides workers with a more complete statement of their earnings and estimates of potential Social Security benefits, upon request. SSA has initiated a major national multi-media public service advertising campaign emphasizing financial planning using the PEBES. This material is being distributed to television, radio and print media in April 1990.

SSA now issues PEBES to all workers on request. Section 10308 of the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) calls for an expansion of this initiative in the future. By September 30, 1995, SSA will issue PEBES to all workers who attain age 60 by October 1, 1994 (and in fiscal years 1995 through 1999 for those attaining age 60 in those years), together with a notice that the statement is updated annually and available upon request. By October 1, 1999, SSA will issue PEBES to all workers age 25 and over, except that no estimate of future retirement benefits is required for workers under age 50.

TELESERVICE REPRESENTATIVES

Mr. Natcher. What is the average cost per FTE in 1991 of a teleservice representative and a local office service representative and a claims representative?

Mrs. King: The average projected cost per FTE for a service representative (SR), including local office SRs and teleservice representatives (TSRs), in FY 1991 is $26,600. The journeyman grade level for both local office SRs and TSRs is GS-7.

The average projected cost per FTE for a claims representative (CR) in FY 1991 is $37,800. The journeyman grade level for a CR is GS-10.

These projections include the cost of salaries, benefits and the 3.5 percent pay raise contained in the President's budget.

Mr. Natcher: What is the equipment and support cost of a teleservice representative station?

Mrs. King: A teleservice representative (TSR) workstation consists of a desk, chair, automatic call distributor (ACD) console, headset, telephone trunk and a terminal which accesses the Social Security computer network. The initial cost per TSR workstation is approximately $7,000 which includes workstation site preparation and the first year's maintenance on the equipment.

INSPECTOR GENERAL RECOMMENDATIONS

Mr. Natcher: How much would it cost to fully implement commercial ZIP code software as recommended by the Inspector General (IG)? How much would it save in postage discounts?

Mrs. King: SSA has purchased commercial ZIP code software as recommended by the Inspector General. The cost of purchasing this software was $25,000. We are in the process of using this software to implement the ZIP code enhancements (ZIP+4, bar coding, and ZIP code maintenance) recommended by the Inspector General. Additional costs, such as the costs associated with programming SSA's computers to interface with this software and the purchase of equipment needed to implement the ZIP code enhancements, are expected.

We expect to realize savings from postal discounts, estimated at over $1.3 million annually, after implementing all of the above-mentioned ZIP code enhancements for all applicable SSA mailings.

Mr. Natcher: The IG recommended that SSA determine the Social Security numbers of the overpaid former auxiliary beneficiaries for whom this information is not known. What would be required to implement this recommendation? How much would it cost? What would be gained?

Mrs. King: In responding to the Office of Inspector General recommendation on this subject, SSA said that limited resources prevented pursuing the recommendation to determine a Social Security number (SSN) for each overpaid auxiliary, especially prior to receiving statutory authority to offset tax refunds. Further, SSA agreed to conduct a cost-benefit analysis of the value of determining these SSNs once the income tax refund offset legislation was enacted. This legislation is included in the Administration's legislative program for FY 1991.

TRAVEL BY CLAIMANTS AND REPRESENTATIVES TO HEARINGS

Mr. Natcher: What are the totals and average cost per trip for claimants and claimant representatives at Office of Hearings and Appeals hearings? What are some of the highest individual reimbursements that are being paid for claimants representatives and what are the distances being traveled in those circumstances?

Mrs. King: A comparison of a 6-month period ending in May 1987 with the 6-month period ending in November 1989 shows that a claimant's average reimbursement claim increased slightly from $49 to $58 per claim, and a witness' average reimbursement claim dropped from $66 to $64 per claim. During the same period, an average reimbursement claim for a representative rose 250 percent from $86 to $219 per claim. Total expenditures for travel reimbursement increased from about $90,600 to more than $265,000 for the 6 months ending November 1989. The majority of the increase is due to the increase in representatives' travel.

In 1989 SSA reimbursed a representative $1,730 for expenses for 4 days while traveling from Jefferson City, Missouri to Fairbanks, Alaska, a distance of nearly 2,900 miles. In another instance, SSA reimbursed a representative $1,074 for expenses for travel from Long Beach, California to Boston, Massachusetts, a distance of about 3,000 miles.

PAID HOURS FOR UNION REPRESENTATIVES

Mr. Natcher: What is the limit on paid hours devoted to union activities which is contained in the new National Agreement with AFGE?

Mrs. King: The new National Agreement with AFGE sets a nationwide limit on the number of paid hours to be used for union activities by field facility union representatives. In calendar year 1990 the limit is 110,000 hours. In 1991 the limit will be 102,000 hours and in 1992 the limit will be 100,000 hours.

Headquarters components also have a limit on paid hours devoted to union activities under the new National Agreement with AFGE. Elected officers are permitted to devote all of their time to union activities. Assistant Chief Stewards are allotted 312 hours every 6 months. Stewards are allotted 208 hours every 6 months.

Mr. Natcher: Do other union agreements contain similar limits?

Mrs. King: SSA currently has three additional collective bargaining agreements. While each agreement contains guidelines relating to the approval of official time, none contains a nationwide "bank" of hours similar to the one prescribed by the new AFGE agreement.

WORKING CAPITAL FUND

Mr. Natcher: Services provided through the departmental Working Capital Fund increase 17 percent or over $8 million in 1991. Please provide a breakdown of these costs for 1990 and 1991.

Mrs. King: The overall cost of services provided through the departmental Working Capital Fund and other contracts with various Federal agencies increases by about $8 million from 1990 to 1991. Of this $8 million total, only about $3.3 million is for increased expenses and additional services provided through the departmental Working Capital Fund. The 1991 increases for these services include the following ($ in million):

Equal Employment Opportunity Complaint Investigations.....	+$0.8
Regional Personnel Services....	+1.5
Accounting and Financial Services....................	+0.1
Regional Administrative Services....................	+0.6
Payroll Services..............	+0.3

The balance of the increase, $4.8 million, is for contracts with other Federal agencies including the National Archives and Records Service for folder storage, the Department of State for overseas operations, the Public Health Service for field office health services, and other departmental contracts for training and other services not provided through the Working Capital Fund.

CRITICAL REPAIRS

Mr. Natcher: Your request includes a $22 million increase for critical repairs. How are these repair needs identified and budgeted?

Mrs. King: These repairs are identified and budgeted, based on ongoing inspections and assessments conducted by both the General Services Administration and SSA facilities personnel. Repair requirements are then ranked in priority order, but depending upon the actual resources that become available, projects are frequently shifted, since emphasis is placed on the repair of safety and environmental threats first.

Mr. Natcher: Provide information on known rehabilitation and repair requirement backlogs.

Mrs. King: SSA's current repair and improvement plans consist of the following major projects:

- Safety-related items, including installation of firewalls in the National Computer Center; upgrading the Metro West building to meet Baltimore City Fire Department standards; detection and removal of asbestos; and upgrades of security and control systems at headquarters and field installations.

- Repairs and alterations to meet the new environmental demands of automation, including upgrading of the electrical distribution systems at the Metro West building; installation of backup cooling systems at the Main Complex; heating, ventilation and air conditioning modifications related to additional office automation equipment and replacement of frequency converters which help prevent shutdowns caused by power outages.

- Other repairs and alterations, including structural repairs (cracks or shifting of walls); repair or replacement of raised floors in the National Computer Center; repairs to damaged floor ducts at the Main Complex; correction of heat loss problems at the National Computer Center and replacement of automatic doors at the Main Complex.

REPEAL OF CATASTROPHIC HEALTH INSURANCE PREMIUMS

Mr. Natcher: Is the $45 million which you received from HCFA sufficient to cover all of your costs related to the repeal of the Catastrophic Health Insurance Premium?

Mrs. King: Although our work resulting from the repeal of the Catastrophic Health Insurance Premium is not complete, we believe--based on actual experience to date--that the $45 million from HCFA will fully cover all of our costs.

MONITORING STAFFING REQUIREMENTS

Mr. Natcher: Now that downsizing has been completed, how are you monitoring staffing requirements?

Mrs. King: Staffing requirements for SSA will continue to be developed and monitored based on actuarial and statistical workload estimates, the time it takes to process these workloads, and the level of service determined appropriate.

FIELD OFFICE STAFF COMPOSITION

Mr. Natcher: Provide a table which shows the total number and percentage staff reduction by job type as the result of downsizing.

Mrs. King: The following table reflects the decrease in field office staff as a result of the agency downsizing which began in fiscal year 1984.

Position Type	FY 1984	12/89	Difference 1984-12/89	Percent Change
Administrative	2,172	1,971	-201	-9.3
Operations Supervisor	2,711	2,256	-455	-16.8
Operations Analyst	467	110	-357	-76.4
Field Representative	1,081	579	-502	-46.4
Claims Representative	13,699	13,892	+193	+1.4
Data Review Technician	3,960	601	-3,359	-84.8
Service Representative	6,410	6,588	+178	+2.8
Clerical	5,913	3,615	-2,298	-38.9
Other Clerical	2,338	1,370	-968	-41.4
Special Employment	1,587	201	-1,386	-87.3
Service Representative/ Data Review Technician	N/A	1,901	+1,901	--
Other [1]	213	464	+251	+117.8
Total	40,551	33,548	-7,003	-17.3

[1] Other includes teleservice center technical assistants, resident representatives, employees in regional training centers, new field employees whose paperwork is not complete, and detailed employees from area and regional offices.

1991 PAY RAISE

Mr. Natcher: What is the amount of the 1991 pay raise which is being absorbed?

Mrs. King: Based on Administration policy, each agency budget provides for a 3.5 percent pay raise effective January 1991, 50 percent of which is being absorbed. In SSA's case the amount of the 1991 pay raise which is being absorbed is about $28 million.

Mr. Natcher: What is the cost of 1 additional day of pay in 1991? Is this requirement included in your request?

Mrs. King: The cost of 1 day of pay for SSA employees is estimated at about $8.6 million for FY 1991. SSA's 1991 salary estimates were developed based on 261 paid days and, therefore, provide for the additional day of pay.

STAFF TRAINING

Mr. Natcher: Please provide for the record the number of days training and training cost per employee for teleservice representatives, local office service representative, and claims representatives. Briefly describe the differences between these job functions and training needs.

Mrs. King: The length of training required for these positions varies depending on whether the trainee is newly hired to SSA or is an experienced employee undergoing training for a new position. The cost per trainee also varies, depending primarily on travel and per diem costs. Employees and/or the instructors may be in per diem status for the period of classroom training. These costs depend on the location of the training and local per diem rates. The following table shows the average length of classroom training and the average cost per trainee (excluding salary) for these positions for FY 1989.

	Length of Average Class	Average Cost Per Trainee
Claims Rep. (external hire)	13 weeks	$2,881
Claims Rep. (internal hire)	10 weeks	$2,953
Service Rep.	7 weeks	$1,618

After the completion of classroom training, employees receive 1 to 2 weeks of on-the-job training.

Employees are on full salary during the training period. Generally 2 journeyman-level technicians will teach a class of approximately 15 claims representatives or 20 service representatives (SRs) or teleservice representatives (TSRs).

The SR and TSR positions are virtually identical and they receive the same amount of training. They provide general information directly to the public and complete a variety of postentitlement actions. They explain technical provisions, elicit relevant facts and resolve problems with payment, and provide information on compliance with various beneficiary reporting requirements. They also furnish appropriate forms and instructions for completion.

Claims representatives at times can perform any of the above functions. In addition, they conduct interviews, develop claims, establish entitlement to benefits, assist the public in filing claims and identify and investigate potential program abuse.

TELEPHONE RECEIPT DEMONSTRATION PROJECT

Mr. Natcher: Do you support the proposal for a telephone receipt demonstration project? Do you have an estimate as to how much this additional service would cost if fully implemented?

Mrs. King: I am always willing to explore ways to improve our service to the public; however, I am concerned about the proposal for a telephone receipt demonstration project due to the potential for significant costs. At this point I do not have an estimate. However, I have asked my staff to explore the feasibility of doing something like this and its related costs, as well as the costs of phasing in such a service during a multiyear period.

EQUIPMENT FOR DISABLED EMPLOYEES

Mr. Natcher: How many teleservice representative stations are specially equipped for handicapped employees?

Mrs. King: Not all disabled employees require specially equipped workstations. We have 191 disabled employees working in our teleservice centers. Of these, 113 are visually impaired employees. The remaining 78 have disabilities including emotional and nervous disorders, paralytic conditions (including mobility impaired), crippling arthritis, epilepsy, asthma, diabetes and cancer. All of the 113 visually impaired employees, both partially sighted and totally blind, have specially equipped workstations. None of the other 78 employees require specialized workstations or equipment. If specialized equipment were required, it would be provided.

Mr. Natcher: What types of special equipment are required for handicapped teleservice employees and what is the additional cost per station?

Mrs. King: The 113 visually impaired employees working in our teleservice centers require a specialized workstation consisting of their own personal computer plus one or two of the following adaptive devices: a large screen magnification monitor, an electronic braille output device, or a voice output device. The average cost of this equipment is $7,000. In addition, some of our visually impaired users have other aids such as closed circuit televisions which allow them to read printed materials. The cost of this equipment ranges from $3,000-$4,000. Finally, depending upon the worksite and if modular furniture has been installed in the office, they may require additional worksite modifications (for example, special printer tables, etc.). The average cost is $200 to $400 per work station.

The remainder of our disabled employees who work in teleservice centers do not require any specialized equipment.

DESTRUCTION OF OLD RECORDS

Mr. Natcher: Is SSA planning to destroy all initial documents such as old birth certificates, and if so, what is the schedule for this destruction?

Mrs. King: We are not contemplating any changes in our current retention period for documents and claims folders. Any documents in our folders would be certified copies of the original--not the actual original documents. All folders for beneficiaries who are currently receiving checks are maintained as active folders. Additionally, folders are maintained as active throughout the appeals period for any applicant who has been denied benefits. Retirement and Survivors Insurance claims folders and Disability Insurance claims folders are retained for 5 years after the final action. Supplemental Security Income folders are retained for 2 years if the case is terminated or denied for nonmedical reasons and 5 years if the case is terminated or denied for medical reasons. Any cases with overpayments on the record are retained longer.

CONTINGENCY RESERVE

Mr. Natcher: Provide a breakdown of how the additional contingency funding will be allocated in 1990.

Mrs. King: Our plan for use of these funds is as follows:

SSA components funds for full-time equivalents, overtime, student employment and related support requirements (e.g., training)........	$29 million
Information technology systems funds for software contracts, field office computer terminals and other critical systems needs.........	$16 million
Disability State Agency funds.............	$3 million

Mr. Natcher: Provide a revised workyear (all programs) table which is included on page 94 of your Justifications which reflects the impact of the additional contingency funds becoming available in 1990.

Mrs. King: As requested, the table below has been revised to reflect our preliminary estimates of the additional full-time equivalents (FTEs) and workyears which will be funded in FY 1990 due to release of contingency funds:

FY 1989

Type	Actual	Percent of Total
FTEs	64,707	97.4%
Noncelling and overtime workyears	1,711	2.6%
Total workyears	66,418	100.0%

FY 1990

Type	Actual	Percent of Total
FTEs	63,599	97.8%
Nonceiling and overtime workyears	1,426	2.2%
Total workyears	65,025	100.0%

FY 1991

Type	Actual	Percent of Total
FTEs	63,599	97.5%
Nonceiling and overtime workyears	1,630	2.5%
Total workyears	65,229	100.0%

Mr. Natcher: What would be the effect of restoring the more restrictive contingency reserve bill language?

Mrs. King: Restoring the contingency reserve language to that used in prior years targets the use of the contingency reserve to:

- **Unbudgeted workloads,**
- **Automation projects and their impact on the workforce, and**
- **Mandatory State agency cost increases.**

OMB has raised the concern that the contingency reserve should not be used to avoid scoring of discretionary outlays and that contingency funds should be limited to unpredictable costs associated with work that is central to SSA's mission, not predictable cost increases such as pay raises. The Administration believes that if the contingency reserve is available for predictable cost increases, then the contingency amounts should be scored just like the regular appropriations.

STAFF REDUCTIONS AND QUALITY OF SERVICE

Mr. Roybal: Hearings held over the last year by the House Select Committee on Aging have revealed that significant staff cuts at the Social Security Administration over the past 6 years have had a serious impact on the quality of service being provided by SSA. Over the past 6 years, how many total staff has SSA been reduced by? What percentage of total staff is this?

Mrs. King: Since the start of FY 1984, SSA's staff has been reduced by about 13,500 full-time permanent (FTP) and seasonal employees, and 4,300 part-time and temporary employees, excluding the Office of Child Support Enforcement and the Office of Family Assistance which are no longer part of SSA. This represents a reduction of about 21.5 percent in overall staff, from about 82,800 employees to about 65,000 employees, including FTP, part-time and temporary.

Mr. Roybal: Does SSA currently have sufficient staffing levels to provide adequate service delivery? Have services to individuals with special needs, such as the poor, the homeless, the disabled, those living in rural areas, and the non-English speaking been reduced due to the staff cutbacks?

Mrs. King: We plan to increase full-time permanent (FTP) employment at SSA by more than 1,000 during the remainder of FY 1990, to bring FTP employment to a level of about 61,000 at the start of FY 1991. This translates to 63,000 FTEs in the Limitation on Administrative Expenses account for 1991--a staffing level which responds both to fiscal constraints and our mandate to provide adequate service to the public. This represents an increase of almost 2 percent from the current level.

We will continue to monitor the many uncertainties in our environment--the national "800" number, the cost of correcting

staffing imbalances and, of course, the size of our workload--and keep higher monitoring authorities informed if these uncertainties cause our staffing situation to change.

In addition, our enhanced SSI outreach efforts are targeted to increase SSA services to poor, homeless, disabled and other individuals with special needs.

Mr. Roybal: Under SSA's proposed budget for FY 1991, how many additional staff will be able to be hired? What percentage of total staff will this constitute? Will this additional staff be sufficient to meet all of SSA's needs for FY 1991?

Mrs. King: We plan to increase full-time permanent (FTP) employment at SSA by more than 1,000 during the remainder of FY 1990, to bring FTP employment to a level of about 61,000 at the start of FY 1991. This translates to 63,000 FTEs in the Limitation on Administrative Expenses account. This represents an increase of almost 2 percent from the current level.

Consistent with the FY 1991 President's budget request, during FY 1991 we plan to maintain FTP staffing at about 61,000 throughout the year, replacing all employment losses which occur. At this point we believe that this level of staffing will be sufficient to meet SSA's needs --the estimates of workyears and employment in SSA's budget request are based on our analysis of expected workloads and the workyears needed to process them. The accelerated hiring this year followed by a year of stability in FY 1991 will enable this agency to process its workloads and address problems such as staffing imbalances, workload backlogs and increased processing times which have recently come to light. We will continue to examine these areas and will keep higher monitoring authorities informed if our staffing needs should change.

Mr. Roybal: The staff cutbacks have primarily affected field offices, with clericals and field representatives being cut. Evidently, this has contributed to increased backlogs in various areas. Will the proposed FY 1991 budget provide for increased staff in the field offices? How many new bilingual field representatives do you anticipate hiring?

Mrs. King: Our goal in the staffing area is to accelerate hiring in FY 1990 and provide relief to those areas most in need of resources, primarily field offices. This hiring, followed by a year of stability in FY 1991, will be a great relief to this agency after years of attrition in employment.

We are using onsite visits by special teams, the personal knowledge of regional managers, and statistical data on the workloads and service areas of local offices to determine where serious staffing imbalances exist. One finding of these onsite visits is the need for more bilingual personnel in various field office positions. We are giving priority to the hiring of bilingual personnel in our current hiring efforts.

NUMBER OF CONTACT STATIONS

Mr. Roybal: Is it true that the SSA contact stations, many of which provide service in rural areas, have been reduced, due to cuts in the number of field representatives? How do you anticipate that individuals in areas with closed SSA contact stations will be able to conduct business with SSA?

Mrs. King: SSA continues to provide service at over 2,000 contact stations, in spite of staff reductions. Contact stations are staffed by claims representatives and other field office employees as well as by field representatives. In addition, individuals are provided a variety of options for conducting business with SSA--they can call SSA's toll-free "800" number, visit a field office in their local area, or they can write to us.

"800" NUMBER TELEPHONE SERVICE

Mr. Roybal: There is concern about various SSA operational changes that have emphasized less face-to-face service, such as the institution of a national "800" number by SSA to answer inquiries and otherwise conduct business by phone. Various Congressional hearings have revealed that the tele-system has at times had a high number of busy signals, a failure by staff to return calls and the termination of calls prematurely. What is the current status of the "800" tele-system?

Mrs. King: The public has indicated a growing preference for using the telephone in its dealings with SSA since the early 1970s. In a recent Client Satisfaction Survey completed by the Office of Inspector General, 59 percent of those contacted indicated that they would likely conduct most of their business with SSA by telephone in the future.

The "800" number was established to provide a service option for the public that chooses to use the telephone. It was never intended to replace face-to-face service. The response to the new service has been phenomenal but the option to visit the local office remains.

The "800" number has experienced very high volumes of calls since nationwide service began in October 1989, and busy rates have been unacceptably high, especially on high volume days. Busy rates were particularly high in the January - March period which is traditionally the months when SSA experiences the highest workloads. Busy signal rates have declined significantly in March, and we expect continued improvement in future months.

SSA monitors both peak day and regular day busy signal rates. Approximately 5 peak days each month represent the highest volume days, those days at the beginning of the month around check day, all Mondays and days following Federal holidays. Regular days comprise most workdays in the month. Below are the peak day and regular day busy signal rates for the last 6 months:

	Peak Days	Regular Days
October 1989	41%	22%
November 1989	70%	27%
December 1989	25%	7%
January 1990	71%	25%
February 1990	68%	20%
March 1990	50%	8%

In regard to the question of failure by staff to return calls, we are reviewing this matter and, if necessary, will take appropriate steps to ensure that calls are returned promptly. Also, there have been some allegations of termination of calls prematurely, but no indications of a widespread problem. We are reviewing this matter with the service contractor.

"800" NUMBER--IMPACT ON FIELD OFFICE WORKLOADS

Mr. Roybal: A principal rationale given for the reduction of staff in the field offices indicated that the workload in the field offices would be reduced due to the initiation of the telesystem. Has the workload in the field offices been reduced due to the telesystem? Have there been any increases in workload in particular areas?

Mrs. King: SSA recently analyzed workload data collected from a sample of 20 field offices that came under the "800" number network in Phase II in October 1989, and a control group of 10 field offices that had been in the "800" network in Phase I since its inception in October 1988. The study analyzed workload data from 6 days in each of 3 months--July, August and November 1989. The study showed that telephone calls received in the 20 field offices decreased 61 percent after the "800" number service went into effect. At the same time, walk-in traffic in the same offices increased by 16 percent. The higher level of walk-in traffic cannot be readily explained. One possible explanation could be actual workload increases such as contacts concerning catastrophic health insurance or announcements regarding benefit increases. It is also possible that the increase represented callers who were unable to reach SSA via the "800" number and thus visited the local office. The Phase I control group experienced a 7 percent increase in both telephone calls and walk-in traffic during the study period.

Mr. Roybal: There is special concern about the impact of SSA staff cuts on outreach in the Supplemental Security Income program, particularly outreach to the homeless, the disabled, rural populations, those who are illiterate, and the non-English speaking. What effect has SSA staff downsizing had on SSA's ability to do outreach? Has the reduction of staff in field offices reduced the amount of outreach activities that these offices engage in? Does SSA have the resources necessary to carry out an effective outreach program?

Mrs. King: Since 1984, SSA has taken the initiative to reach the homeless, elderly, persons living in rural areas, disabled, non-English speaking and other disadvantaged groups. Activities in this area have escalated. The Agency has made SSI outreach one of its major priorities. Field office staff continue to visit homeless shelters, soup kitchens, senior citizen centers, hospitals and other facilities to reach these groups. When necessary, home visits are scheduled for the homebound when a face-to-face interview is required or preferred.

These initiatives have been planned and implemented by local management in cooperation with community and local governmental agencies. Best practices have been shared among offices. More outreach is needed to bring SSA programs to everyone who could benefit from them and we are working to accomplish this end. SSA offices do provide assistance to those we can identify. We are working to implement an outreach strategy which will improve our success in serving the hard-to-reach population. We continue to work toward improving the effectiveness of our programs.

SSI OUTREACH

Mr. Roybal: How does SSA intend to spend the $3 million appropriated for FY 1990 for new SSI outreach activities to potential SSI recipients, particularly the elderly?

Mrs. King: SSA will use the $3 million to fund grants and cooperative agreements for demonstration projects which would increase outreach efforts to individuals potentially eligible for SSI benefits. Our goal for these projects is to demonstrate effective, ongoing, and transferrable approaches for identifying potentially eligible needy aged, blind, and disabled individuals and assisting these individuals in the application process. We are seeking proposals which will extend and/or enhance current outreach efforts conducted by our field offices or other organizations such as State or local governments or private entities. We plan to incorporate the successful techniques learned through the demonstration program into our own national procedures and to share the information with public and social service providers as well.

BILINGUAL SERVICE

Mr. Roybal: With specific regard to the non-English speaking clients, what is your assessment of how SSA is meeting the needs of this group? Do non-English speaking clients receive the same level of service as other clients? Do you keep data on non-English speaking client activity?

Mrs. King. SSA is committed to providing all of its clients the same high quality of service. The Agency has taken measures to accommodate this group of clients and to inform them of the services that are available for their use. Spanish is the most common language among our non-English speaking clients. Notices and pamphlets are available in Spanish and campaign ads have been televised and posted in Spanish. A GAO final report, "SSA Employment of and Service to Hispanics," (Audit #188012) showed that SSA's employment of and service to Hispanics reflected the Agency's commitment to fair and equitable employment practices for Hispanic employees and applicants for employment as well as effective and reasonable service to the Hispanic community. Bilingual employees are on duty in field offices located in areas which have a high concentration of non-English speaking persons. In most cases, the local manager identifies the specific need. Managers also have contacts with private and public social agencies and ethnic organizations which can provide additional support.

Data are not collected on non-English speaking client activity. However, we are about to begin a study in our teleservice centers on the frequency with which we encounter a language barrier.

Mr. Roybal: Is there sufficient bilingual staff to meet the needs of the non-English speaking? What percentage of employees in SSA field offices are bilingual?

Mrs. King: Currently, at least 6.1 percent of staff in SSA field offices are certified as bilingual translators. An additional number have sufficient language skills to conduct interviews in other languages. While it is difficult to provide bilingual staff in every office for every language, we make extensive efforts to hire and retain bilingual employees in offices which serve large non-English speaking populations. In addition, we seek out sources of community support for bilingual translation services. In our teleservice centers, we have bilingual lines where bilingual callers may be referred if the answering teleservice representative cannot communicate with the caller.

STAFFING

Mr. Roybal: How many full-time equivalent (FTE) staff does the Social Security Administration currently have? How many FTE's do you anticipate the Social Security Administration will have at the end of fiscal year 1990?

Mrs. King: As of the end of February 1990, SSA had on duty about 59,900 full-time permanent (FTP) employees, 600 seasonal employees and 4,500 part-time and temporary employees, for a total of 65,000 employees who count towards SSA's accumulation of FTEs. At the end of FY 1990, SSA expects to have on duty about 61,000 FTP employees which, together with the seasonal, part-time and temporary employees, will yield about 63,000 FTEs for the Limitation on Administrative Expenses account in FY 1991.

Mr. Roybal: Do you anticipate using any of the current fiscal year's contingency fund to hire additional staff? If so, how much? How many FTEs will this fund?

Mrs. King: Release of $48 million in contingency funds has enabled us to accelerate hiring already planned for FY 1990. Our plans include use of $29 million of these funds to cover personnel needs, accelerate hiring of additional full-time permanent staff, additional overtime, additional student employees and the training and other costs necessary to support the new staff. This plan should enable us to use about 400 more FTEs in FY 1990 than previously estimated.

Mr. Roybal: The Administration is requesting $4.167 billion for fiscal year 1991. This amount is approximately $500 million more than fiscal year 1990. Will any of this additional funding be used to hire staff? If so, how many? If not, why not?

Mrs. King: SSA's Limitation on Administrative Expenses request for $4.167 billion for FY 1991 is an increase of about $330 million from the FY 1990 level. Most of this increase (about 75 percent) will fund continuing current operations, including the payroll cost increases associated with stabilizing staff. During FY 1990, SSA plans to increase its staff up to the number needed to stabilize at 63,000 FTEs in FY 1991. Other built-in costs funded in the FY 1991 budget request include maintaining computers and telephone systems at current levels; paying rent to the General Services Administration and maintaining current facilities; and funding personnel and medical costs for the Disability State Agencies.

The remainder of the increase will enable SSA to improve working conditions for SSA employees and invest in technology needed to keep pace with growing workloads and improve service to the public.

Mr. Roybal: The Social Security Administration's Final Report of the 1989 Onsite Process Review Initiative states that, "Downsizing the Agency through attrition has resulted in variant staff declines, with larger offices in metropolitan areas suffering the most significant losses because the natural attrition at these sites is used to offset the lack of attrition in smaller, more stable rural and suburban offices. As a result, large field offices have generally experienced more problems associated with downsizing, such as backlogs, out-of-position work, and high stress levels, to a greater degree than smaller sites. However, although isolated exceptions exist, most offices feel this strain." What plans does SSA have to reduce the staffing strain that "most offices feel"? Is SSA planning to shift staff from offices that aren't "feeling the strain" to those which are? If so, when will this process take place? What offices will be losing staff in this process? What offices will be gaining staff? How many staff will need to be shifted to cover for variances in staffing losses between the offices?

Mrs. King: There are offices which have been less heavily impacted by uneven staff losses during downsizing, and the Agency is encouraging the use of an existing procedure (the 4100 file) to accept requests for voluntary transfers from these offices to offices whose staff shortage is more critical. So, in answer to your question, no offices have been targeted for staff reductions.

SSA's need for staff is being addressed in the offices with critical need situations by the "strike teams," and for all sites in the ongoing budget process.

Mr. Roybal: Why isn't SSA requesting funding for additional staff to fill these office staffing variances?

Mrs. King: With contingency funds made available in FY 1990, SSA plans to accelerate hiring of staff up to a level of employment this year that will support 63,000 full-time equivalents in FY 1991. As we staff up to this level, we should be able to correct any imbalances. The President's budget request for FY 1991 includes funds to support this stable level of employment, and is based on our best estimate of the resources needed to process estimated workloads and deliver the best possible service to the public.

POSTENTITLEMENT WORKLOAD BACKLOGS

Mr. Roybal: A recent national survey of Social Security managers reveals that 83 percent report they are "losing ground" processing postentitlement casework. SSA's 1989 Onsite Review Process warns that "delays in processing these workloads can result in substantial unnecessary outlays from the trust fund." Please provide for the record the number of postentitlement workloads pending, by category, in field offices at the end of fiscal year 1989 as compared to FY 1984. What are the percentage changes?

Mrs. King: Our work measurement systems currently do not capture pending counts for most postentitlement workloads. Counts are taken at the point of final systems input. Since much of our postentitlement work is "in and out," this lack of pending data is generally not a problem. Local managers control postentitlement pending work using tools such as manual listings and local personal computer data bases. To get a consolidated, consistent picture of current postentitlement work, we are now computing a national inventory of pending workloads. This inventory will allow us to assess, at the national level, the degree to which postentitlement workloads have become backlogged. In addition, our area directors, who oversee groupings of field offices, include review of pending workloads in their quarterly visits to their offices. These visits routinely identify work which could be moved to other offices for processing or the need for additional resources to process backlogged work. Regional offices also oversee the postentitlement workloads and conduct periodic regional inventories of pending work to identify backlogs. These reviews have resulted in the movement of work between field offices.

Mr. Roybal: What steps is SSA taking to reduce these postentitlement backlogs? How has SSA determined that these backlogs can be reduced without the use of additional staff? What is the magnitude of these "substantial unnecessary outlays"?

Mrs. King: With the release of contingency funds, SSA will be hiring additional employees over the next several months.

Additional levels of overtime have been issued to the operating components. The Process Review teams visited only a small number of offices. We cannot quantify, from the data which was collected, the magnitude of the "substantial outlays" referred to.

EFFECTIVE QUALITY REVIEW

Mr. Roybal: A recent national survey of Social Security managers reveals that 68 percent are unable to conduct an effective quality review program. Is SSA concerned that this lack of effective quality review will lead to more mistakes and additional costs to the trust funds and the taxpayer? If not, why not? If so, what steps is SSA taking to correct this situation?

Mrs. King: We are currently in the process of instituting a new in-line quality control program in the field offices. The new system permits the offices to focus on their own specific problem areas, including postentitlement issues. It is designed to correct errors before they leave the office, thereby reducing future rehandling. We have established a technical assistant position which will be an integral part of the quality assurance program. In addition to serving as a technical resource to field office personnel, the technical assistants will perform in-line reviews in the claims and postentitlement areas. The regions are currently filling those positions. We believe that the results of the survey, which was conducted in the middle of this changeover, reflect opinions that will change once the system is fully in place.

CLERICAL DUTIES PERFORMED BY MANAGEMENT

Mr. Roybal: How many clerical staff has SSA lost since 1984? More than two-fifths of SSA's managers spend one-third of their time opening mail, serving as a claims representative, or performing other non-management duties. Does SSA believe this is a cost-effective use of staff? How is SSA working to improve this situation?

Mrs. King: Between September 1984 and December 1989, SSA lost a total of 3,266 clerical staff in field offices. While it is true that field office managers must occasionally fill in for clerical and technical staff, this is clearly not a cost-effective use of managerial staff. We have sent "strike teams" to visit field offices identified as having critical resource needs. The teams provided authorization for over 400 new hires in these offices. In addition, SSA has received authorization from the Office of Management and Budget to use a portion of the FY 1990 contingency funds. Many of these resources will be used to accelerate hiring for the rest of the year and to address clerical shortages in field offices.

FIELD OFFICE STAFF COMPOSITION

Mr. Roybal: Please provide a breakdown of the number and percentages of staff in SSA field offices by job category for the current fiscal year and FY 1984.

Mrs. King: The following table reflects the decrease in field office staff as a result of the Agency downsizing which began in fiscal year 1984.

Position Type	09/84	% of Total	12/89	% of Total
Administrative	2,172	5.4%	1,971	5.9%
Operations Supervisor	2,711	6.7%	2,256	6.7%
Operations Analyst	467	1.2%	110	0.3%
Field Representative	1,081	2.7%	579	1.7%
Claims Representative	13,699	33.8%	13,892	41.4%
Data Review Technician	3,960	9.8%	601	1.8%
Service Representative	6,410	15.8%	6,588	19.6%
Clerical	5,913	14.6%	3,615	10.8%
Other Clerical	2,338	5.8%	1,370	4.1%
Special Employment	1,587	3.9%	201	0.6%
Service Representative/ Data Review Technician	N/A	---	1,901	5.7%
Other [1]	213	0.5%	464	1.4%
Total	40,551	100.0% [2]	33,548	100.0%

[1] Other includes teleservice center technical assistants, resident representatives, employees in regional training centers, new field employees whose paperwork is not complete, and detailed employees from area and regional offices.

[2] Total percentage does not add to 100.0% due to rounding.

"800" NUMBER CALL VOLUMES AND BUSY RATES

Mr. Roybal: Please provide information on the number of calls made to the toll-free telephone service for each of the days in January, February, and March. What were the busy rates for these days?

Mrs. King: The information follows.

Date	Calls Originated	Busy Rate
1/1	HOLIDAY	
1/2	1,233,193	74.4%
1/3	1,457,856	80.9%
1/4	1,027,544	76.9%
1/5	649,177	60.7%
1/8	1,147,104	71.2%
1/9	617,268	47.6%

Date	Calls Originated	Busy Rate
1/10	436,931	31.5%
1/11	352,032	19.8%
1/12	286,507	5.0%
1/15	HOLIDAY	
1/16	1,123,358	71.9%
1/17	547,592	39.6%
1/18	320,872	11.3%
1/19	267,951	3.0%
1/22	682,628	50.6%
1/23	332,275	11.5%
1/24	282,344	5.6%
1/25	280,608	3.1%
1/26	244,569	4.1%
1/29	700,380	56.0%
1/30	376,462	12.0%
1/31	314,107	9.2%
2/1	352,617	19.4%
2/2	271,094	12.9%
2/5	1,901,280	85.3%
2/6	1,090,683	73.7%
2/7	607,024	54.2%
2/8	409,347	38.1%
2/9	293,836	11.7%
2/12	700,757	57.1%
2/13	368,066	25.5%
2/14	239,639	2.7%
2/15	244,388	4.5%
2/16	228,661	1.7%
2/19	HOLIDAY	
2/20	963,673	68.3%
2/21	351,466	16.1%
2/22	253,924	3.6%
2/23	213,587	2.7%
2/26	415,765	29.1%
2/27	238,854	2.6%
2/28	241,304	3.8%
3/1	286,020	24.7%
3/2	369,148	36.6%
3/5	1,176,493	77.1%
3/6	563,920	54.4%
3/7	299,694	19.3%
3/8	248,968	10.7%
3/9	214,475	9.8%

Date	Calls Originated	Busy Rate
3/12	410,655	36.2%
3/13	240,997	11.8%
3/14	211,376	4.0%
3/15	207,921	10.5%
3/16	189,370	11.2%
3/19	323,844	19.6%

REDUCING "800" NUMBER BUSY RATES

Mr. Roybal: What steps is SSA taking to reduce the busy rates? Are staff presently being temporarily shifted from field offices to teleservice centers? If so, how many are being shifted? How long do you anticipate the need to continue this transfer?

Mrs. King: SSA has taken a number of steps to bring down the busy signal rate experienced by the "800" number. The original workyear estimate for the "800" number service of 3,400 workyears for FY 1990 was increased to about 3,900 workyears based on current experience. We are continuing to evaluate the staffing needed for our "800" number service and expect FY 1991 workyears to remain at least at this level.

To provide additional staff to handle calls during peak demand periods, we are reviewing the impact and resource requirements of additional backup or "spike" units. Two such units have already been established in our program service centers in Birmingham and Chicago and are quite successful. We are looking to these units as a possible source for the additional staff necessary to handle periods of peak demand without increasing overall staffing at the TSCs.

In addition to the workyears SSA will devote to the "800" number service there are other factors which we feel will enable us to bring down the busy rate. As SSA's TSRs become more experienced in the handling of incoming calls and training is directed to their specific needs we expect the volume of calls handled by each TSR to increase and the accuracy of information given to improve.

Additionally, we expect the number of calls related to the Medicare Catastrophic Coverage Repeal Act of 1989 to decline significantly by next year.

SSA currently has live "800" number service available from 7 A.M.to 7 P.M. 5 days a week. However, what we are finding is that from 7 A.M. to 9 A.M. and from 5 P.M. to 7 P.M. people are not calling, obviously assuming that we are open only during business hours. We are now planning a series of public service announcements which will encourage individuals who wish to contact SSA to call in these morning hours when the volume of calls is not as high, so that we might even out the incoming calls over the entire 12-hour period.

Some staff have been detailed, on an as needed basis, from field offices to the TSCs when local circumstances warranted such details. The decisions to make such temporary details are made by local managers, not dictated by a national policy. Local managers have always had the authority to use staff where it is most needed, and we plan to continue to give them that flexibility.

Additionally, over 1,000 telephone lines were reconnected temporarily in over 350 field offices.

And finally, in early April 1990, an executive level workgroup was established to review all major "800" number issues and make recommendations for improvement directly to me.

"800" NUMBER RESOURCES

Mr. Roybal: How many FTEs presently staff the teleservice centers? Does SSA need any additional staff for the teleservice centers? If so, how many? Are any additional resources needed to improve the public's access to prompt and accurate assistance through the teleservice system?

Mrs. King: The teleservice centers (TSCs) are presently staffed at a level of 3,900 workyears, including 3,700 FTEs and 200 workyears of overtime. We are continuing to evaluate our "800" number service and will take the steps needed to improve the public's access to prompt and accurate assistance through the teleservice system, including adding staff if we determine that it is necessary. For FY 1991 we expect that the TSC workyears will remain at least at the FY 1990 level, and that we will be able to deliver better service due to the experience gained by our staff and due to technological improvements planned for FY 1990 and FY 1991.

SULLIVAN V. ZEBLEY SUPREME COURT DECISION

Mr. Roybal: The Supreme Court in *Sullivan v. Zebley*, 110 S. Ct. 885 (1990), found that SSA must conduct individual functional assessments for disabled children applying for SSI benefits. How many cases does SSA anticipate will need to be reviewed due to this decision? How will this increased caseload be addressed? Does SSA need additional staff and resources to comply with this decision? If so, how much?

Mrs. King: We have submitted a proposed implementation order to the *Zebley* district court which we believe, if approved, would establish a process that is fair to all class members.

The one thing that is clear to us at this time is that this process will be a massive undertaking in a very tight timeframe. In order to develop realistic estimates of the additional staff and resources needed, we need to know the size of the caseload and the process. Estimates on the size of the class vary from 300,000 if the cases go back to May 1983 to more than 560,000 if the court requires SSA to review childhood disability denials back to January 1974.

The issues of caseload and process are in litigation; however we are continuing discussions with plaintiffs' counsel on these issues to see if we can reach agreement on some or all of them. We will be able to provide cost estimates when these issues are resolved.

DDS RESOURCES

Mr. Roybal: How many workyears were in the State DDS offices in 1986? How does this compare to FY 1991? Do the States' DDS offices need additional staff and automation? If not, please explain. If so, what are the needs?

Mrs. King: We know that in FY 1986, the State DDSs used 13,302 workyears. The President's budget for FY 1991 is based upon 11,296 workyears. During this period, the States will have decreased their workyear usage by 2,006 or 15 percent. Also during this period, State productivity will have improved from 168 to 219 dispositions per workyear for an average increase of 30 percent productivity.

Automation of DDS processes was an essential factor toward the workyear decreases and productivity increases of recent years. The FY 1991 workyears represent a 1.7 percent increase over the anticipated workyear usage for FY 1990, while the workload is expected to increase by over 3.2 percent. To keep pace with the workload increases, the continuing enhancement of automation is essential.

For FY 1991 we are requesting $8 million for new automation in the DDS offices. This will fund additional workstations, systems procurements and software upgrades that are intended as part of our overall systems automation planning for the States and represent phases of the total enhancement effort. Once integrated into the DDS claims processing environment, they will permit greater flexibility for software applications to further enhance the consistency, quality, and uniformity of disability decisions.

SSI OUTREACH

Mr. Roybal: SSA has been appropriated $3.5 million to provide SSI outreach in the current fiscal year. How is SSA planning to use this funding? What plans does SSA have to reach non-English speaking applicants and potential beneficiaries?

Mrs. King: In fiscal year 1990 the Congress provided $3.0 million in research and demonstration funding to the SSI Outreach Demonstration Program, and directed that not less than $3.5 million be spent in outreach activities. Toward the end of FY 1990 we expect to award $3.0 million in research cooperative agreements and grants. We will certainly spend more than an additional $0.5 million in administrative resources for outreach activities that go on in field offices.

The goal of SSI Outreach Demonstration Program will be to demonstrate effective, ongoing, and transferrable approaches for identifying potentially eligible needy aged, blind and disabled individuals, helping them understand their rights under the SSI program, and assisting them in the application process. Members of minority and ethnic groups have been targeted for outreach activities in this demonstration program. Among the barriers SSA has identified that prevent potentially eligible individuals and couples from filing for SSI benefits is English language illiteracy. Special attention will be given to the needs of non-English speaking persons in regard to both verbal communication and public information materials.

DECLINE IN NUMBER OF FIELD REPRESENTATIVES

Mr. Roybal: According to the General Accounting Office, in FY 1984 there were 1,175 field representatives. In FY 1989, there were 601 field representatives. Does SSA believe that SSA outreach activities have been affected by this decline in field representatives? If so, in what ways? If not, how is this decline in field representatives being compensated for?

Mrs. King: Our SSA outreach activities have remained stable in spite of the decline in the number of field representatives. At the end of FY 1984, SSA had 1,081 field representatives on duty, compared with 601 at the end of FY 1989. In performance of their assigned duties to promote SSA/SSI programs and services, field office managers conduct various outreach and public information activities. In situations where technical expertise is required, claims representatives and service representatives are assigned specific duties. For example, these employees visit various facilities such as homeless shelters, hospitals, senior citizen centers and nursing homes to train service personnel on SSA/SSI programs and services, make speeches and take claims when required. SSA offices have cooperative agreements with public and private agencies which help to identify individuals who are in need of our services.

WAGE RECONCILIATION PROCESS

Mr. Roybal: Please provide the Subcommittee with an update on the status of the wage reconciliation process. How many cases still need to be reconciled? What are the resource needs for this process? How many workyears did SSA use to handle the backlog? How many more workyears will be needed?

Mrs. King: We believe the backlog situation is well under control and near resolution. Approximately 440,000 cases remain to be resolved. This is out of the almost 6 million total that we initially had for investigation for the years 1978 to 1987. We are on schedule to virtually complete these backlog cases and the current year cases for tax year 1988. We will make every effort within available resources to complete this workload this year.

The President's budget assumes that, once SSA is current in handling this workload, 219 workyears (WYs) will be required annually by SSA to process reconciliation workloads. For fiscal years 1986 through 1989, SSA expended 1,094 WYs reconciling cases back to 1978 when annual wage reporting began. To complete the processing of the backlog, as well as current cases, the budget includes 335 WYs in 1990 and 234 WYs in 1991, leveling off at 219 WYs in 1992 and beyond.

AVERAGE WAITING TIME AT FIELD OFFICES

Mr. Roybal: What is the average waiting time at SSA field offices? Do these waiting times vary from office to office? What is the variation? Does SSA believe these waiting times are excessive? What targets have you established for client waiting times?

Mrs. King: Data show that for the quarter ending December 1989, the average pre-reception waiting time in SSA field offices was 7 minutes. For those clients who required in-office interviews, the average wait time was 11 minutes.

Yes, waiting times do vary from office to office; 45.7 percent of our clients speak to a receptionist within 2 minutes and 22.1 percent wait over 11 minutes. Waiting times vary so much from office to office that we are looking into alternative measurements to produce more accurate data.

For clients who require an in-office interview, 52.4 percent wait up to 5 minutes to see an interviewer; 10.3 percent wait over 31 minutes.

SSA personnel are available to accommodate clients who visit our offices without an appointment. Walk-in clients are given the choice to wait for the first available interviewer, or make an appointment for either an in-office or telephone interview. It is SSA's policy that the client can decide if he or she prefers to wait or make an appointment.

The following targets have been established:

- Office visitors with appointments will wait no more than 15 minutes to see an interviewer.
- Visitors without appointments will wait no more than 1 hour to see an interviewer.

STAFFING

Mr. Stokes: Your FY 1991 request would support 63,000 FTEs. How does this compare to the number you expect to have at the end of FY 1990?

Mrs. King: At the end of FY 1990 SSA expects to have on duty about 61,000 full-time permanent (FTP) employees which, together with SSA's part-time, temporary and seasonal employees, will yield about 63,000 full-time equivalents for the Limitation on Administrative Expenses account in FY 1991.

Mr. Stokes: How many FTEs did you originally request from the Department?

Mrs. King: SSA's FY 1991 budget submission to the Department of Health and Human Services requested 63,007 FTEs for the Limitation on Administrative Expenses (LAE) for FY 1991. This is consistent with the request for 62,875 FTEs for LAE in the FY 1991 President's budget. The difference of 132 FTEs represents a technical adjustment between the LAE account and the Departmental Management account, for SSA-related functions of the Assistant Secretary for Personnel Administration which are now part of the Department's Working Capital Fund.

SSI OUTREACH

Mr. Stokes: On page 100 of your justification, you state that the SSI outreach effort directed toward children will result in 27,000 additional claims. How many FTE or staff years will be required to process these additional claims? What resources were requested for these additional claims? In what other ways will you be expanding your outreach effort? And what resources are requested for these efforts?

Mrs. King: We estimate that about 100 SSA workyears will be required to process the additional 27,000 childhood disability claims related to the SSI outreach effort. The total cost, reflected in SSA's FY 1991 budget estimates, will be about $10 million, including costs for State Disability Determination Services.

SSI outreach is a major priority for SSA. We are actively seeking to enroll all eligible people and provide appropriate referrals to related agencies and services.

SSA has initiated enhanced outreach through its local field office structure, with special efforts directed at the homeless. Key SSI outreach efforts focus on working through community organizations, including public agencies such as area Agencies on Aging as well as private groups. We are working to develop more effective public information campaigns and materials; and field offices are actively renewing efforts to build partnerships in the community in order to reach potential eligibles, create a positive understanding of the program, and facilitate the application process, which can be extremely intimidating for these the most needy and vulnerable of our citizens.

In addition, SSA has signed a memorandum of understanding with the Administration on Aging and the Health Care Financing

Administration to work cooperatively on a number of projects in FY 1990, including SSI outreach. We have had several discussions with the Administration on Aging on the content and direction of the SSI Outreach Demonstration Program.

SSA's Outreach Demonstration Program is funded with $3 million included in the SSI appropriation for SSI outreach. This program will award 15 to 20 grants and cooperative agreements to expand SSI outreach efforts and help SSA identify and locate potential SSI beneficiaries. Applications will be due by early June, with awards expected in September. Since these projects will run primarily during FY 1991, no additional funds have been requested for this purpose in FY 1991.

"CRACK" BABIES

Mr. Stokes: Has the Social Security Administration considered the effect that the growing number of "crack" babies will have on the Supplemental Security Income system? What plans is SSA making to deal with this epidemic?

Mrs. King: Yes, the Social Security Administration is certainly aware of the problem of "crack" babies. Because the problem is relatively new, we are not able to make projections about the number of such children who will become eligible for Supplemental Security Income (SSI). However, there are a number of efforts underway within the Agency, as well as in other parts of the Department of Health and Human Services, to address the problem.

- The new Multiple Body Dysfunction listing for children, which we are currently developing, provides for the evaluation of Down's syndrome and other confirmed hereditary, congenital or acquired conditions affecting more than one body system. Since children with conditions resulting from maternal substance abuse, e.g., "crack" babies, are typically impaired in more than one body system, we will use this new listing when assessing their claims.

- The new childhood disability standards which we are developing as a result of the recent *Sullivan v. Zebley* court decision will take this impairment into consideration.

- In response to SSA's *Federal Register* notice about our new SSI outreach demonstration program, we received comment, in particular from pediatric hospitals, which indicated an interest in working with SSA in outreach efforts for these children.

- The Office of Human Development Services (OHDS) will continue its Abandoned Infants Assistance Program of demonstrations to prevent abandonment of infants, and provide appropriate care to those who are abandoned.

- The OHDS FY 1991 budget request also includes funds for a new research and demonstration initiative to address the immediate non-medical needs of infants born to "crack" cocaine-using mothers by increasing access to comprehensive multidisciplinary services.

VOCATIONAL REHABILITATION

Mr. Stokes: You are requesting $24.8 million for vocational rehabilitation and $2.9 million for the referral of SSI recipients with drug or alcohol dependency to treatment programs. What do we know about the effectiveness of these rehabilitation programs?

Mrs. King: In June 1989, the Chief Financial Officer's Office of Program and Integrity Reviews issued a final report of its review of the VR program. The review consisted of a sample of State VR agency files in Alabama, Florida and New York, The review concluded that the training and/or rehabilitation services provided by the VR agencies in 95.4 percent of the cases was appropriate, necessary, and led to placement of the disabled beneficiary in legitimate jobs.

You also asked about the effectiveness of the treatment program involving SSI recipients with drug or alcohol dependency problems. The Social Security Act requires a disabled individual who is medically determined to be a drug addict or alcoholic (DA/A) as a condition of eligibility for SSI payments, to undergo treatment for his or her drug addiction or alcoholism, if such treatment is appropriate and available. The individual must also demonstrate that he or she is complying with the terms, conditions and requirements of such treatment. The Secretary is required to provide for the monitoring and testing of these individuals to assure such compliance. This is currently accomplished through State-by-State contracting arrangements.

Thus far, the SSI DA/A treatment monitoring program has shown questionable return in terms of successful rehabilitation from substance abuse or terminations due to recovery or return to work. Since we are not satisfied with the results of this program to date, we are currently pursuing several initiatives to strengthen the DA/A program and increase its effectiveness. These include working jointly with other Federal and State agencies with expertise in the area of substance abuse treatment and case management and revising internal policy and procedures to strengthen the program.

Mr. Stokes: Can you tell us whether specific research and demonstration initiatives are planned for FY 1991? How much is requested for research and demonstration for FY 1991? How does it compare to FY 1990?

Mrs. King: We have 3 major research initiatives and a variety of other important research activities planned for FY 1991:

- We will continue our research to assist disabled beneficiaries to return to gainful work. We plan to test a pilot demonstration which builds on what we have learned from research in this area over the last several years.

- This year we plan to award a contract to develop reliable methods of evaluating pain in reaching our disability determination. This research will continue in FY 1991.

- Another major initiative that we plan to undertake, if funds are available, is a survey of our beneficiaries. This study will provide important longitudinal data on retirement and survivor beneficiaries and return-to-work data on disability beneficiaries.

- The balance of our research includes smaller studies which assist us in anticipating the effects of the legislated increase in the retirement age, the role of Social Security in providing retirement income in the future and other fundamental public policy issues.

In FY 1991 we've budgeted approximately $13 million for research and development--$7 million apportioned directly from the trust funds under section 505 of the Social Security Act and $6.1 million in appropriation requests. The FY 1990 funding level is $14.5 million.

CHRONIC FATIGUE SYNDROME

Mr. Stokes: Last year, the Committee expressed its concern that persons afflicted with chronic fatigue syndrome (CFS) have difficulty in applying for and receiving Social Security disability benefits. The Committee directed SSA to communicate an awareness to all field office employees handling applications for Disability Insurance and to update the guidelines for CFS by incorporating the latest medical knowledge about the disease, including the clinical definition developed by CDC. Your justification (page 76) indicates that this has not been done. Please explain SSA's position on this.

Mrs. King: Although SSA could not totally comply with the Committee's directives, we have taken some actions necessary to make SSA staff involved in the disability adjudicative process more aware of CFS and to collect more information about the way SSA is currently adjudicating these cases. For example, we do have guidelines in the Program Operations Manual system for the evaluation of chronic Epstein-Barr virus syndrome (CEBV), which was the term used previously to describe the entity now more commonly referred to as CFS. These guidelines are still appropriate for the adjudication of CFS claims. We also have provided training on the evaluation of pain and other symptoms for 6 of the 10 regions. This training has included information on the evaluation of the symptom of fatigue.

In addition, in light of the congressional interest about this and as part of SSA's ongoing monitoring of disability policy, we have initiated a postadjudicative review of all claims involving the allegation of CFS to begin April 16, 1990. The study will provide us with data on the number and disposition of CFS cases and will help us to determine if our current guidelines should be changed.

As you indicated, the Centers for Disease Control (CDC) have developed a working case definition for CFS. However, they caution that, and I quote, "chronic fatigue syndrome is currently an operational concept designed for research purposes that physicians must recognize not necessarily as a single disease but as a syndrome --a complex of potentially related symptoms that tend to occur together--that may have several causes." The CDC definition is designed for surveillance, research and treatment and is not intended to have prognostic significance or to designate the severity of illness. Therefore, SSA cannot currently use this definition to establish disability. Instead, we must determine if the definition of disability in the current SSA law is met.

The Social Security Administration will remain in contact with the CDC and the National Institutes of Health to keep apprised of the latest medical thinking on CFS. The first results of the CDC research will not be available until the end of 1990. When we have additional information about CFS from these sources and from our case review, we will review our evaluation criteria and determine if any revisions are necessary.

Mr. Stokes: What are "strike teams"? How does SSA establish the need for "strike teams"? I bring this up because my district, Cleveland, has been severely impacted by staff reductions since 1985. My district office has informed me that my constituents are very concerned about delays and that the situation is getting worse. I also understand that a decision has been made not to visit any northeastern Ohio office.

Mrs. King: The Final Report of the 1989 Onsite Process Review Initiative identified as a problem the variant staff declines experienced primarily by large metropolitan offices resulting from downsizing SSA through attrition. To provide those offices most heavily affected by staffing losses with some immediate relief, I initiated the "strike team" concept. "Strike teams" are small, highly mobile teams which I tasked with visiting offices in each of SSA's 10 regions which were identified by the Regional Commissioners as being severely short of staff, or otherwise experiencing a critical material need. The "strike teams" have the authority to initiate specific hiring as well as to expedite procurement of critical supplies.

Although the offices in the Cleveland area were not found to be as heavily affected by staffing shortages as some other offices, all of SSA's offices are being considered for additional staff as part of the ongoing budget process.

STAFFING FOR TELESERVICE CENTERS

Mr. Dwyer: Last year, the House, Senate, and conference reports contained language urging the Social Security Administration to curtail its downsizing and at least maintain current staffing services. The budget justification states that SSA plans to have 63,000 FTEs in 1991. How many staff members were removed from field offices to man the teleservice? Do you believe that there are a sufficient number of individuals manning the teleservice to provide an adequate level of assistance to beneficiaries?

Mrs. King: SSA's 34 teleservice centers (TSCs) had about 1,270 teleservice representatives (TSRs) prior to implementation of the "800" number. Today those centers and the 3 new mega-TSCs have about 3,200 TSRs. SSA has staffed its new teleservice center positions through national job vacancy announcements, to which some local office employees applied and were selected. There were no forced reassignments to the TSCs. Most of the 1,900 new TSRs were new hires to SSA; and a large portion of the remainder were clerical or data entry employees from SSA's large facilities in Baltimore, Birmingham and Albuquerque rather than from field offices.

SSA's original estimate for the "800" number was 3,400 workyears, including teleservice representatives and related clerical, supervisory and management positions in the TSCs. Based on our experience with the service when it went nationwide in October 1989, we hired additional staff and revised that estimate upward to about 3,900 workyears for FY 1990. We are continuing to evaluate our "800" number service and will take the steps needed to improve it, including adding staff if we determine that is necessary. For FY 1991 we expect that TSC workyears will remain at least at the FY 1990 level, and that we will be able to deliver better service due to the experience gained by our staff and due to technological improvements planned for FY 1990 and FY 1991.

TRAINING OF TELESERVICE REPRESENTATIVES

Mr. Dwyer: How much training is provided to staff members of the teleservices versus field office personnel?

Mrs. King: Newly-hired teleservice representatives (TSRs) receive 8 weeks of formal classroom training plus on-the-job training. The training is the same as that provided newly-hired service representatives in field offices.

ACCURACY OF RESPONSES PROVIDED OVER THE "800" NUMBER

Mr. Dwyer: It is my understanding that the SSA teleservice received nearly 50 million calls and that 37 million were actually answered by SSA. This would mean that in 1989, the overall busy rate averaged about 25 percent, a far cry from the 5 percent goal. Further, there are concerns at SSA and in the Congress that the accuracy of responses provided is not as it should be. What is the accuracy rate for the teleservice? Does this number reflect all errors, or only the percentage of errors which could result in an incorrect payment or loss of benefits?

Mrs. King: A comprehensive quality assessment program was begun in October 1989 to measure the ongoing performance of "800" number service. Under this program SSA's Office of Program and Integrity Reviews assesses quality on a continuing basis in all TSCs through service observation. This quality assessment program supplements ongoing supervisory reviews to ensure quality. Random monitoring of calls during the period of October through December 1989 found no inaccuracies in about 97 percent of the responses regarding payment amounts or eligibility.

CHRONIC FATIGUE SYNDROME

Mr. Dwyer: As you know, the House report expressed concern that persons afflicted with Chronic Fatigue Syndrome (CFS) continue to have difficulty in applying for and receiving Social Security disability benefits. Earlier this month, a group of New Jerseyans, who suffer from CFS, visited my office and related that this difficulty persists. The Centers for Disease Control (CDC) and the National Institutes of Health (NIH) have recognized CFS as a legitimate disorder and have allocated millions of dollars for surveillance programs, research and treatment. Why does the SSA continue to deny CFS sufferers the benefits to which they are legitimately entitled?

Mrs. King: All individuals alleging CFS may apply for Social Security disability benefits, just as any individual alleging a disabling condition. However, having CFS does not in itself result in a determination of disability as defined in the law.

As you indicated, the CDC has developed a working definition for CFS. However, CDC cautions that "chronic fatigue syndrome is currently an operational concept designed for research purposes that physicians must recognize not necessarily as a single disease but as a syndrome--a complex of potentially related symptoms that tend to occur together--that may have several causes." The CDC definition is designed for surveillance, programs, research and treatment purposes. It is not intended to have prognostic significance or to designate the severity of illness. Therefore, SSA cannot use the definition to establish disability. Rather, we must evaluate the severity of the impairment and determine if the disability requirements of the law are met.

These requirements are as follows:

> To be determined disabled an individual must have a medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months and which prevents the individual from doing any substantial gainful activity. The medically determinable impairment must be established by symptoms, signs, and

laboratory findings. It is sometimes difficult to establish the presence of a medically determinable impairment in some cases in which CFS has been alleged.

Once a medically determinable physical or mental impairment has been established and it is one which could reasonably be expected to produce fatigue or other symptoms, the fatigue or other symptoms must be considered in evaluating the severity of the impairment. Without a medically determinable impairment, however, symptoms alone cannot be the basis for disability. Evaluation for these cases requires case-by-case adjudication based on the totality of the evidence including clinical course from onset of the illness, symptoms, signs and laboratory findings. Consideration is given to the severity of impairment and its impact on function to determine whether the claimant has the capacity to do substantial gainful activity. Individuals alleging CFS have been found eligible for disability benefits as well as ineligible for disability benefits, depending on whether their conditions have met the statutory definition of disability.

Mr. Dwyer: As you may know, the CDC and NIH plan to step up their efforts to combat CFS this year. What initiatives will SSA undertake this year to ensure that they are up-to-date on CFS?

Mrs. King: Beginning April 16, 1990, SSA will review postadjudicatively all Social Security disability claims involving allegations of or diagnosis of CFS. The purpose is to obtain data on the number and disposition of these claims and to determine if existing guidelines are adequate. In addition, we will continue to keep in contact with CDC and NIH to keep apprised of the latest medical thinking on CFS and to obtain the results of the CDC's research which will not be available until the end of this year. When we have additional information about CFS, we will review our evaluation criteria and determine if any revisions are necessary.

SULLIVAN V. ZEBLEY SUPREME COURT DECISION

Mr. Hoyer: The Zebley decision will generate an enormous workload for SSA. Hundreds of thousands of SSI denied cases will have to be reworked. Would you briefly explain the genesis and the disposition of this case.

Mrs. King: The Supreme Court's February 20, 1990 decision in *Sullivan v. Zebley* requires a functional assessment of each child who applies for disability benefits under SSA's Supplemental Security Income program before SSA can deny a child's claim. This invalidated the existing procedure for denying childhood disability claims. Under existing regulatory standards children had to have impairments that either met the severity criteria of specific listings of impairments, or that were medically equal to listed impairments.

To meet the requirement for a functional assessment, SSA is working as rapidly as possible to prepare new regulations for determining disability in children under age 18. Children ordinarily cannot be evaluated based on their work ability, so we are developing new rules that would be comparable to the rules that refer to assessing work ability in adults.

We have asked experts in the field of childhood disability to assist us in formulating the new regulations. These experts, who were chosen in consultation with plaintiffs' counsel, include leading specialists in the areas of evaluation and treatment of disability in children, the study of congenital and genetic disorders, and the assessment and measurement of child development. Also included are experts in pediatrics, child psychology, special education, and rehabilitation.

In addition, SSA is working closely with children's rights advocacy groups as we develop the new rules.

Until the new regulations are in place, SSA is continuing to process childhood cases in an effort to ensure that all those claims that can be allowed are processed and paid promptly. We are developing an interim standard for adjudicating pending and new claims until the new regulation is published. Those who cannot be entitled will be told that their claims will be automatically reevaluated after the new regulation is published. Once the new regulations are in place, we will give highest priority to making sure that every class member covered by the court's decision is fully informed of his or her right to reevaluation.

Mr. Hoyer: Has the court mandated that the individuals who filed claims be contacted within a certain period of time, or has the Administration reached an agreement with the agents for the class as to how it will pursue this re-evaluation of these cases?

Mrs. King: No court order has yet been issued, however, we are continuing discussion with plaintiffs' counsel on these issues. Regardless of the terms of the court order, our objective will be to assure that all persons included in the class receive prompt and expeditious consideration.

Mr. Hoyer: What is the size of the projected workload, and is it addressed in your budget request?

Mrs. King: There are many issues that need to be resolved. Among these issues is the length of time SSA needs to go back to constitute the "class." Based on the initial filing date of the suit, SSA can be expected to constitute the class at least back to May 1983. If we go back to May 1983, there will be about 300,000 potential class members. If we are required to go back to an earlier period, the size of the class will grow and it is possible that it could be twice as large. Based on past experience we can expect about 150,000 childhood disability cases will have to be reworked if the class begins in May 1983.

This workload has not been addressed in our budget request since SSA is presently identifying those individuals that need to be contacted, and developing procedures for reworking the claims. These steps are essential to developing realistic budget estimates, and as soon as we have a court order, we will be able to determine what the budget needs for fiscal years 1990 and 1991 for processing "Zebley" cases will be.

Mr. Hoyer: How many FTEs will be required to handle the predicted workload?

Mrs. King: As soon as the process for handling "Zebley" cases is decided, we will be able to provide an estimate of workyears, FTEs and money needed to process this workload. A great deal of the work will be performed by the Disability Determination Services (DDSs) and we will need money to fund these activities as well as funds to pay benefits. The DDSs are constituent agencies of State government and although we fund 100 percent of their costs of making disability determinations, we do not provide them with FTEs.

After the *Zebley* district court issues an order, we will determine the involvement of field offices, hearings offices and processing centers and this will require FTEs and overtime.

INVENTORY OF PENDING WORKLOADS

Mr. Hoyer: I understand that you have asked each of your field offices to provide you an inventory of pending workloads. How much discretion will these office managers have in determining what constitutes a backlog of outstanding work, and are there any reasonably good checks on whether these offices will be forthcoming in reporting the actual size of the workloads?

Mrs. King: SSA has conducted an inventory of workloads pending in field offices as of March 29, 1990. The categories of work to be reported were determined by SSA centrally, with all offices reporting the same categories. Field managers were asked to report all work pending in these categories; there was no leeway provided for determining what constitutes a backlog. The data will be analyzed centrally to identify backlogs. In preparing for the inventory, managers were told clearly that the purpose of the inventory was to determine the need for additional resources or for workload shifts, and that the results would not be used in any judgmental way. We believe that, in this context, managers will be motivated to provide accurate counts of their pending workloads. To do otherwise would understate their need for resources to process their work. While we do not yet have the final results of the inventory, preliminary data show a very high level of accuracy in the initial transmission of the data, indicating extensive interest in the data on the part of field office managers.

Mr. Hoyer: If you are not satisfied with the accuracy of the response, are you prepared to initiate a survey, in at least a reasonable sample of field offices, of non-managers?

Mrs. King: We are confident that our inventory of pending work will provide useful data and we see no advantage in surveying non-managers. The data provided by the inventory will be analyzed in conjunction with our ongoing oversight of field office workloads. Pending workloads are tracked at both the regional and area office levels and adjustments are made at those levels, within existing resource constraints.

STAFFING NEEDS

Mr. Hoyer: The SSA, AFGE, the SSA Management Association, and even the recent testimony before Congressman Hughes' Aging Subcommittee indicates that you have inherited an agency that is in crisis. That crisis is most clearly manifest as an immediate staffing shortage, and I wondered what steps you are taking to address this issue.

Mrs. King: I would not characterize SSA as an agency in crisis. SSA's leading indicators of public service levels remain generally consistent with past performance, including a recent Inspector General survey which showed 83% of people found SSA's service good or very good. However, I am concerned that the uneven loss of workpower experienced by some field offices has placed unacceptable levels of stress on some SSA operations. Therefore, I have initiated aggressive measures to remedy the staffing situation where shortages may reduce the quality of service provided to the public.

Within fiscal year 1990, I plan to increase staff in offices with a pressing need. The staffing needs of all offices will be addressed within the budget process.

"800" NUMBER TELEPHONE SERVICE

Mr. Hoyer: I understand that the busy rates around the first of the month are on average about 80 percent, and about 25 percent--30 percent on other days. Is that accurate?

Mrs. King: SSA monitors both peak day and regular day busy signal rates. Approximately 5 peak days each month represent the highest volume days, those days at the beginning of the month around check day, all Mondays and days following Federal holidays. Regular days comprise most workdays in the month. Below are the peak day and regular day busy signal rates for the last 6 months:

	Peak Days	Regular Days
October 1989	41%	22%
November 1989	70%	27%
December 1989	25%	7%
January 1990	71%	25%
February 1990	68%	20%
March 1990	50%	8%

Mr. Hoyer: Is there a problem with the contractor blocking incoming calls when their lines are overloaded?

Mrs. King: All telephone carriers have the legal right to block incoming calls when lines are overloaded. In other words, the contractor would not forward large numbers of calls through the network when busy rates are already substantial at SSA's teleservice centers. This happens on certain very busy days. In January and February, there were also some additional busy signals generated at the service contractor's switches which provided an optional recorded message on cost-of-living increases and refunds due because of the repeal of catastrophic health insurance. That problem was corrected when the recorded message was discontinued on March 1, 1990.

Mr. Hoyer: If so, how do you actually determine the proportion of incoming calls to those that are actually received and responded to?

Mrs. King: The service contractor provides management information on incoming calls as well as on the number of calls that are received at the teleservice centers.

Mr. Hoyer: How is it that an individual can contact the SSA regarding a claim or any other problem or question? Will teleservice reps voluntarily give field office numbers to callers?

Mrs. King: Most assuredly. All teleservice representatives will voluntarily give callers the local field office numbers when asked.

Mr. Hoyer: What is the relative loss of staff over the past 8 years at the benefit payment centers which have been designated as spike units?

Mrs. King: Between March 1982 and March 1990 the Southeastern and Great Lakes Program Service Centers' staff on duty declined 30.9 percent and 33.6 percent respectively. Both rates are lower than the average loss rate for all of the program service centers combined, which was 35.5 percent.

Mr. Hoyer: Could you explain the term "spike units," and how it is that those spike units can both handle telephone referrals and continue work on their assigned workload?

Mrs. King: "Spike units" are backup answering units that answer calls from the public on high volume days. Currently, there are two of these units in the program service centers. A unit of 175 employees has been established in Birmingham, Alabama for over a year and a second unit of 132 employees was established in Chicago, Illinois in January 1990.

These units are used on an "as needed" basis. The employees have telephones at their desks and can answer "800" number calls as they are needed. Regular workloads have been handled through some use of overtime hours. Managers also monitor workloads closely to minimize any impact on time sensitive workloads where payment could be affected.

ANNUAL WAGE REPORTING

Mr. Hoyer: Commissioner King, would you please outline the problems associated with "earnings postings"?

Mrs. King: Beginning in 1978, employers began reporting wages separately to IRS (for tax purposes) and to SSA (for earnings record purposes). IRS and SSA electronically match employer wage totals to verify that they are the same. If not, and SSA has the higher amount, IRS undertakes an investigation because taxes may have been underpaid. If IRS has the higher amount, SSA undertakes an investigation because the difference may indicate an earnings posting or employer reporting problem.

Since SSA began its reconciliation process in 1986, 5.8 million cases have been addressed for tax years 1978 - 1987. Resolutions include crediting additional earnings to SSA's records, correction of employer identification number errors and noting legitimate differences between SSA and IRS records. The reconciliation work averaged 600,000 cases per year but has dropped to a 500,000 average for the last 2 years.

In the first years of combined annual wage reporting, when IRS and SSA had not fully determined their respective agency responsibilities for reconciliation work, a backlog of over 3 million unresolved reports developed for the years 1978 through 1983. Since 1986, SSA has given high priority to working these cases. As a result, we completed them in December 1988. We will make every effort within available resources to become completely current for all years by the end of this year. In addition, a new cooperative agreement between IRS and SSA has clarified each agency's responsibilities regarding reconciliation and other wage reporting and processing matters. SSA has kept each new tax year's reconciliation workload current since inception of the agreement. IRS has used its penalty authority in an effort to gain reports from employers who do not respond to SSA. This, together with employer training, form changes, development of clearer reporting standards and other efforts, should reduce each year's workload even more.

Mr. Hoyer: Is it the case that there are at least $50 billion in earnings which have not been reconciled between SSA and IRS, and that there is at least $87 billion which has been reconciled between SSA and IRS, but which may or may not have been posted at SSA?

Mrs. King: The latest comparison of figures between SSA and IRS since the last certification of wages shows that $50.6 billion more has been reported to IRS than to SSA for tax year (TY) 1978 through TY 1987. As of the end of 1989, the total dollar value of the wage reconciliation case differences which SSA has resolved is $111.7 billion. However, all the resolutions do not result in additional postings.

Reconciliation figures would not necessarily agree with a posted figure. There are legitimate instances when wages are reconciled but are not posted. For example, when SSA records are found to be correct and the reconciliation problem is found to be merely a record keeping difference between IRS and SSA because of different employer identification numbers.

SSI OUTREACH

Mr. Conte: How will you be working with the local Aging offices? How does the grant money we provided in last year's appropriation fit into these plans?

Mrs. King: In fiscal year 1990 the Congress provided $3.0 million in research and demonstration funding for the SSI Outreach Demonstration Project. The aged, particularly frail, elderly individuals and couples, are targeted for outreach activities under this demonstration program.

There is a great deal of interest on the part of State and local Aging offices in the SSI Outreach Demonstration Program. Many responded to our February 2, 1990 notice in the *Federal Register* requesting ideas and recommendations on the content and direction of the proposed priority areas. We have incorporated their thoughtful comments into the demonstration program announcement. We anticipate that many of these same offices will apply for cooperative agreement or grant funding.

SSA has signed a memorandum of understanding with the Agency on Aging (AoA) agreeing to work in collaboration on a number of projects. Within this framework, we have provided comments to AoA on the content of their recent demonstration program announcement which included a priority area on SSI outreach. We will continue to work closely with AoA to ensure that the needs of the elderly are met.

Mr. Conte: What additional projects are needed in FY 1991?

Mrs. King: SSA does not have a solid foundation for determining future needs at this point in the budget process. The money from the FY 1990 appropriation will not be obligated until late in September 1990 due to the time required to solicit ideas, publish the *Federal Register* grant announcement, process the applications and select the projects. The studies will continue through FY 1991. Some of them may be multi-year projects. As a result, SSA will not have a gauge of effectiveness of the projects for some time and has not planned for additional Supplemental Security Income outreach demonstration projects in FY 1991.

Mr. Conte: How much would it cost?

Mrs. King: Although we are not requesting additional grant money in FY 1991, we expect to continue outreach efforts through our local offices in FY 1991.

BACKLOGS

Mr. Conte: Recent news reports have been suggesting that there is a hidden crisis at SSA with months of backlogged work, frequent mistakes in benefit calculations and an all-time low in employee morale. Is this a correct assessment of what's going on at SSA?

Mrs. King: No, I disagree with that assessment. SSA's dedicated staff has been strained to meet the demands of a growing beneficiary and worker population and to adjust to major processing changes during the period of downsizing. However, our quality of service has remained high. The amount of incorrect benefit payments has decreased as a result of increased automation of benefit calculation. Payment accuracy rates as a percent of dollars paid increased to 99.8 percent in 1989.

At this point we do not have data showing significant backlogs of work in field offices, but we are in the process of completing a special national report on the status of field office workloads. On the other hand, we are beginning to see increases in the amount of work on hand in the program service centers and are concerned about lengthy processing times for appeals cases currently before the Appeals Council. Our surveys conducted last year did indicate that action was needed to improve morale and I have made improving morale one of my top objectives.

Mr. Conte: What ideas do you have on fixing these problems?

Mrs. King: We are closely monitoring all of our workloads and will be addressing problem areas as we are in the case of field office staffing imbalances--by identifying serious problems and directing additional resources to them. We will be using contingency funds to accelerate replacement of staff losses in field offices and other locations with serious staffing problems.

I have also taken a number of steps aimed at improving morale and creating the kind of work environment that encourages employees to provide the best public service:

- A new "on-the-spot" award process has been established to recognize superior effort;
- Onsite childcare facilities are being established in our two large Baltimore locations;
- Installation of additional personal computers in field offices has been expedited; and
- Establishment of an Office of Ombudsman to identify and propose responses to human resource and management problems throughout SSA has been authorized.

SYSTEMS MODERNIZATION

Mr. Conte: SSA has made substantial progress in automating your claims process and in modernizing your computer systems. This year's request for Information Technology Systems calls for $240 million. How much of this is for maintenance, and how much is for new investments to continue your modernization efforts?

Mrs. King: Of the $240 million, $192 million is for maintenance of our existing systems--to run our computer facilities, conduct cyclical operations, keep hardware, software and voice and data communications running at current levels. The remaining $48 million will be for new investments.

Mr. Conte: Where are you targeting these new investments?

Mrs. King: These new investments will allow SSA to address several critical systems problems we now face--improving flexibility of programmatic software, ensuring adequate computer capacity to meet growing workloads, improving "800" number service, ensuring adequate systems security, and modernizing management information and administrative systems. We are beginning development of back-up and recovery for SSA's online systems, improving financial and administrative systems, and strengthening systems management. Finally, we will fund office automation and management information tools, additional claims system terminals, and improved telephone systems.

PUBLIC SERVICE

Mr. Conte: What is the latest data on trends concerning processing times, pending workloads and payment accuracy?

Mrs. King: Our report on The Levels of Service Provided to Social Security Beneficiaries and the Public In General for Quarters Ending September and December 1989 has been forwarded to the Committee. The report indicates that processing times for initial Retirement and Survivors Insurance (RSI) claims and hearings cases have improved, while processing times for initial Disability Insurance and Supplemental Security Income (SSI) aged and SSI blind and disabled claims have increased from December 1988 to December 1989. From December 1988 to December 1989, field office pending claims workloads in RSI have decreased by 29.2 percent, while SSI aged claims pendings have increased by 46.5 percent, and SSI blind and disabled pendings have increased by 13.6 percent. Accuracy rates remain high, with RSI at 99.84 percent and SSI at 96.8 percent.

There are signs, however that some problems may be developing in SSA's workload. The volume of the pending workload has begun to grow; the processing time for items to be cleared and the age of items in the pending workload have increased as well. With approval of the FY 1991 President's budget, we will be able to build on the actions we are taking this year to correct these problems. The funds in the President's budget will allow us to address some of the backlogged work we anticipate will be carried into FY 1991.

SSA, GAO AND IRS

Mr. Conte: The GAO determined that since 1978, $58 billion in earnings had not been properly credited to individual workers, with the result that many workers are receiving less in benefits than they were entitled to. I hear that SSA and the IRS agreed to a memorandum of understanding on how to address this problem. What has been the result of the effort with the IRS to correct unposted earnings?

Mrs. King: SSA and the IRS signed a memorandum of understanding concerning wage reconciliation on July 12, 1988. The agreement calls for SSA to work all non-tax reconciliation cases from tax years 1978 through 1986. Beginning with tax year 1987, there is a joint responsibility. SSA attempts to resolve the unreconciled cases by making two mailings. Those which are not resolved are turned over to the IRS for attempted resolution and application of appropriate penalties.

SSA has made a concerted attempt to resolve discrepancies from the period surveyed by the GAO. We have completed the mailings for the reconciliation workloads for tax years 1978 through 1987, and we will make every effort within available resources to complete this workload, as well as the current year cases for tax year 1988, this year. Due in large part to our reconciliation effort, the original difference of $58.5 billion cited by the GAO has been reduced to $37.2 billion.

Mr. Conte: Do you expect this problem to be fully corrected?

Mrs. King: Resolving these cases relies, in large part, upon receiving cooperation from employers who have made the reports for which tax payments and forms W-2 do not balance. By becoming current in processing these workloads, taking measures to help employers reduce their reporting deficiencies, and obtaining greater cooperation from the IRS, the percentage of unresolved reports will decrease, but will never be completely eliminated.

However, the door is always open to resolve these cases as we look for gaps in earnings records when people file for benefits. Discrepancies are detected and resolved on a continuing basis, apart from the wage report reconciliation efforts, by persons filing for benefits or requesting a Personal Earnings and Benefit Estimate Statement.

EARNINGS TEST

Mr. Conte: There have been various proposals to reduce or eliminate the earnings test for Social Security recipients. What is the Administration's position regarding proposed legislation to reduce or eliminate the earnings test?

Mrs. King: The Administration opposes costly liberalizations of the earnings test. Although we are not opposed to using the earnings test as a matter of principle, our first priority must be to address Federal budget deficit reduction, and we have seen no options for using the earnings test that are not costly. For example, eliminating the test for persons aged 65 through 69 would result in additional benefit outlays of more than $25 billion over the first 5 years. In view of current concern about the Federal budget deficit, the Administration does not believe that it would be appropriate at this time to support earnings test changes involving such large trust fund expenditures.

Mr. Conte: Is SSA developing any data that would determine whether people would change their employment and spending habits if the test were changed?

Mrs. King: SSA is not currently developing any new data on the effects of changing the retirement test. In past years we have developed some data on how changes to the retirement test would affect employment. These studies suggest that elimination of the earnings test would have a small, net positive effect on employment; however, these studies did not produce any data on how people might change their spending habits.

COVERAGE OF STATE AND LOCAL WORKERS

Mr. Conte: The FY 1991 budget proposes that employees of State and local governments who are not participating in a retirement plan be covered under Social Security, and that Medicare coverage also be extended to all State & local employees. What is known about the numbers and classes of State and local government workers who do not currently participate in a retirement plan?

Mrs. King: We estimate that State and local governments will employ about 21.1 million workers during 1991 and that about 7.2 million of them will not be covered under Social Security. About 3.8 million of the 7.2 million will also be without retirement system coverage.

About 98 percent of full-time State and local government employees are covered by a retirement system. Thus, although estimates are not available, we believe that the great majority of the workers affected by the Administration's proposal would be part-time or temporary workers. We estimate that 1.5 million of the 3.8 million workers affected by the proposal would be students employed by the school, college or university they attend.

Mr. Conte: If this proposal is adopted, do you think the States will mount a legal challenge to this proposal?

Mrs. King: It is difficult to say whether any of the States will challenge the legality of mandatory Social Security coverage of State and local government employees.

However, based on developments involving coverage of State and local government employees in recent years, we believe that the Administration's proposal would withstand any legal challenges. These developments include: (1) a 1986 Supreme Court decision upholding the constitutionality of legislation enacted in 1983 that prohibited further terminations of Social Security coverage by States; (2) legislation enacted in 1986, which has not been challenged, providing for mandatory Medicare coverage of State and local government employees hired after March 1, 1986; and (3) a 1985 Supreme Court decision which upheld legislation extending the minimum wage and overtime pay provisions of the Fair Labor Standards Act to the States.

STAFFING REALIGNMENT

Mr. Conte: I understand that you are realigning the staffing in your major field offices by freezing hiring in most offices while adding staff in field offices with the most pressing shortages. While this might help a few big offices with severe shortages, wouldn't this plan leave many small offices in rural or isolated areas critically short on staff?

Mrs. King: The Final Report of the 1989 Onsite Process Review Initiative identified the variant staff declines experienced primarily by large metropolitan offices resulting from downsizing SSA through attrition. I initiated the "strike team" concept to address this problem and to provide some immediate relief to the most heavily impacted offices. As a matter of fact, a number of the offices identified as being "heavily impacted" are small offices. This "strike team" effort is intended as a temporary supplement to SSA's ongoing staffing and recruitment plans and will not cause the needs of other offices to go unrecognized.

Mr. Conte: How do you determine which offices have the greatest need for personnel?

Mrs. King: To determine the staffing needs of individual offices I requested that each of SSA's 10 Regional Commissioners (RCs) identify those offices within their regions with the most critical staffing needs. The RCs are uniquely qualified to perform this assessment. Each is responsible for the day-to-day functioning of the offices in his or her region of the country and is fully aware of the operational needs of each office.

The regional lists were cross-matched by my office against statistical factors such as the offices' loss of staff over the downsizing period (1984-1989), the offices' productivity, and the demographic profile of the offices' service area. My staff's analysis generally confirmed the assessment of the RCs.

HISTORICAL RATES OF RETURN ON CONTRIBUTIONS

Mr. Porter: Historically, Social Security has provided a very good return to workers in relation to what they and their employers have contributed to the system. Nearly all workers living to average life expectancy have received considerably more than their total contribution (plus interest) in benefits.

There is evidence today, however, that some current workers will receive a negative return on their Social Security investment, whereas others may receive only 1 percent more than their lifetime contributions. By comparison, since the 1920's, including the Great Depression, the stock market has returned on average about 6 percent.

Please provide for the record a summary of the types of return on their contributions to Social Security workers of today in different income brackets can expect after retirement. How does this compare to similarly situated workers who retired in 1940, 1950, 1960, 1970, and 1980. If there is a disparity, how do you explain it?

Mrs. King: This information will be provided at a later date.

RETURNING SOCIAL SECURITY RESERVES TO WORKERS

Mr. Porter: I support returning annual Social Security reserves to individual workers in proportion to their contribution with the stipulation that these reserves be saved and invested. Starting in 1990, if each worker were to receive a refund in proportion to how much they paid in payroll taxes each year, how much would low, average, and high income workers have in their personal accounts when they retire, assuming an annual yield of 3.6 percent?

If covered individuals had their entire contribution as well as that of their employer returned to them over their working lifetimes to invest at a 3.6 percent real rate of return, how much would low, average, and maximum income workers have in their accounts upon retirement if they entered the workforce in 1940, 1950, 1960, 1970, 1980 and 1990?

Mrs. King: This information will be provided at a later date.

Mr. Porter: I know that the Social Security Administration currently sends benefit checks to 39 million Americans every month and tracks contributions from over 100 million workers. In addition, Social Security has recently implemented a plan to inform interested workers of the Social Security retirement benefits they can expect when they retire. Given the ability of the Social Security Administration to keep track of the earning history of every American worker and provide benefits to tens of millions on a monthly basis, do you foresee any unique administrative problems with implementing a plan to refund reserves to individuals on an annual basis?

Mrs. King: We assume that, as is presently the case, the Internal Revenue Service (IRS) would be responsible for the issuance of refunds to taxpayers. That organization might face some significant administrative issues, such as how to treat overpayments and underpayments of refunds when there is a correction to the worker's earnings record--a frequent occurrence--or what to do with undeliverable refund checks.

At a minimum, SSA would need to supply address information to the IRS. For those workers whose W-2's are provided to SSA on magnetic media, little or no additional work would be involved, since all the information on the W-2, including the worker's address, remains available on the magnetic media. However, since SSA does not currently retain address information for workers whose W-2's are submitted in paper form, the proposal would entail the additional work of recording the addresses by keying them into the system, an operation which would require several hundred workyears.

TAX INCREASES UNDER PAY-AS-YOU-GO PLAN

Mr. Porter: You are undoubtedly familiar with Senator Moynihan's proposal to cut the FICA and SECA taxes and allow taxpayers to keep this money rather than using it to build-up the Social Security trust funds. Under such a pay-as-you-go plan, how much will payroll taxes have to be increased to keep the system solvent over, say, the next 75 years and when would those increases be necessary?

Mrs. King: This information will be provided at a later date.

ALTERNATIVE PROPOSAL FOR SOCIAL SECURITY FUNDING

Mr. Porter: Several very different proposals for keeping the Social Security system solvent have been floated. One of these plans involves keeping the payroll tax rate at its present level and allowing the so-called trust fund to build until 2020 when annual reserves will cease. According to this plan, a 1 percent increase in FICA and SECA in 2020 and the interest in the trust fund will keep the system solvent for 70 years or more with no other tax increases and no benefit cuts. Would such a plan be viable, and if so, could you provide the details?

Mrs. King: This information will be provided at a later date.

OPTIMUM RESERVE LEVEL

Mr. Porter: One of the side-debates that has revolved around Senator Moynihan's current cost financing proposal is the minimal acceptable contingency fund in the Social Security trust fund. Some have proposed a 9-month contingency fund while others insist that nothing less than 18 months is acceptable. My understanding is that in the early years of the Social Security system, the Board of Trustees thought 50-70 percent was an acceptable level.

Given the advances in communications and transportation which would allow Congress to reconvene almost immediately if a crisis in Social Security made that necessary, what is the minimum level of reserves that you think acceptable in the trust fund? Assuming no changes are made in Social Security, when will we get to that level?

Mrs. King: One of the key considerations in deciding the appropriate contingency reserve level for the Social Security trust funds is public confidence in the program, since public confidence rests in large measure on public perceptions about the financial soundness of Social Security. From the standpoint of public confidence, it is vitally important to avoid a financing crisis that would require urgent congressional action, regardless of how quickly the Congress could act if a crisis were to arise.

Despite the growth in trust fund assets that has taken place since the enactment of the 1983 amendments, the OASDI Trust Fund ratio has yet to reach a level that most of the recognized experts on Social Security would consider adequate in the event of a severe economic downturn.

At the beginning of 1990, OASDI Trust Fund reserves were equal to 75 percent of projected program costs for the year, or 9 months' expenditures. This level would have been considered minimally adequate in the 1970's, when Advisory Councils on Social Security recommended contingency reserve ratios ranging from 75 to 100 percent of annual outgo. More recently, however, economists have recommended larger contingency reserve ratios--150 percent or more of annual program costs--to provide greater protection in the event of a return of the severe economic conditions that prevailed in the late 1970's and early 1980's. The current Advisory Council on Social Security, in a recently issued interim finding, endorsed a 150 percent minimum contingency reserve ratio, regardless of whether the program ultimately may be financed on a pay-as-you-go or partial-reserve basis.

OASDI Trust Fund reserves are expected to reach 100 percent of annual outgo in early 1991 and to reach 150 percent of annual outgo in mid-1993.

LIFE EXPECTANCY AND EQUITY OF PAYMENTS

Mr. Porter: It occurs to me that workers who pay Social Security payroll taxes their entire working lifetimes and then die prior to retirement receive nothing in return for their contributions. Obviously, this has a greater impact on individuals from groups with lower than average life expectancies who die before receiving benefits in greater numbers. Would you please comment on the equity in the Social Security system for members of groups with lower than average life expectancies?

Mrs. King: This information will be provided at a later date.

Mr. Porter: Since the time the Social Security system was implemented, the average life expectancy of Americans has increased substantially. Over this time period, however, the minimum Social Security retirement age has actually decreased from 65 to 62. What would the effect on the cost of the system be if the retirement age could be pegged in some way to the increase in life expectancy?

Mrs. King: This information will be provided at a later date.

UNFUNDED BENEFIT PAYMENT LIABILITY

Mr. Porter: For the record, would you tell me the total unfunded liability of the Social Security system--the total amount Social Security is obligated to pay in benefits for which, assuming no changes in present law, it has no funding source?

Mrs. King: This information will be provided at a later date.

75-YEAR PROJECTIONS

Mr. Porter: Would you also print, for the record, a chart of the revenues, outlays and surpluses or deficits of the Social Security trust funds for the next 75 years?

Mrs. King: This information will be provided at a later date.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

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FY 1991 Request	---	$46,958,000	
Special Benefits for Disabled Coal Miners			19
FY 1991 Request	146	$841,081,000	
FY 1992 Advance	---	$203,000,000	
Supplemental Security Income Program			37
FY 1991 Request	---	$15,155,594,000	
FY 1992 Advance	---	$3,550,000,000	
Limitation on Administrative Expenses			65
FY 1991 Request	62,875	$4,166,974,000	

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

For payment to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds, as provided under sections 201(m), 228(g), and 1131(b)(2) of the Social Security Act, [$191,968,000] *$46,958,000*. *(Department of Health and Human Services Appropriations Act, 1990.)*

Payments to Social Security Trust Funds

Amounts Available for Obligation

	1989 Actual	1990 Current Estimate	1991 Estimate
Appropriation:			
Annual	$93,631,000	$191,968,000	$46,958,000
Permanent	$6,060,396,000	$4,597,000,000	$4,894,000,000
Total obligations.	$6,154,027,000	$4,788,968,000	$4,940,958,000

Summary of Changes
(Annual Appropriation)

1990 Current estimate	$191,968,000
1991 Request	$46,958,000
Net change	-$145,010,000

	1990 Base	Change from Base
Increases:		
Built-in:		
Pension reform--The estimate reflects an increase in the number of requests for information.	$1,000,000	+$500,000
Total increases		+$500,000
Decreases:		
Built-in:		
Unnegotiated checks--Reflects implementation of P.L. 100-86 on October 1, 1989.	$157,000,000	-$137,000,000
Special payments for certain uninsured persons--The estimate reflects a decreasing beneficiary population. . . .	$33,968,000	-$8,510,000
Total decreases		-$145,510,000
Net change		-$145,010,000

Payments to Social Security Trust Funds

Budget Authority by Activity
(Budget authority in thousands)

	1989 Actual	1990 Current Estimate	1991 Estimate
Current Authority:			
Special payments for certain uninsured persons	$42,606	$33,968	$25,458
(Obligations)	($42,606)	($33,968)	($25,458)
Pension reform	1,025	1,000	1,500
(Obligations)	(1,025)	(1,000)	(1,500)
Unnegotiated checks	50,000	157,000	20,000
(Obligations)	(50,000)	(157,000)	(20,000)
Subtotal, current authority	$93,631	$191,968	$46,958
(Obligations)	($93,631)	($191,968)	($46,958)

Budget Authority by Activity
(Budget authority in thousands)

	1989 Actual	1990 Current Estimate	1991 Estimate
Permanent Authority:			
SECA tax credits	$2,288,131	$1,528,000	-$25,000
(Obligations)	($2,288,153)	($1,528,000)	(-$25,000)
Income tax equivalents, benefits	3,696,000	2,987,000	4,831,000
(Obligations)	(3,696,000)	(2,987,000)	(4,831,000)
Income tax equivalents, nonresident aliens	76,265	82,000	88,000
(Obligations)	(76,265)	(82,000)	(88,000)
Subtotal, permanent authority	$6,060,396	$4,597,000	$4,894,000
(Obligations)	($6,060,396)	($4,597,000)	($4,894,000)
Total, budget authority .	$6,154,027	$4,788,968	$4,940,958
(Obligations)	($6,154,027)	($4,788,968)	($4,940,958)

Payments to Social Security Trust Funds

Budget Authority by Object

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Insurance claims and indemnities	$4,787,968,000	$4,939,458,000	+$151,490,000
Other services	$1,000,000	$1,500,000	+$500,000
Total, budget authority by object	$4,788,968,000	$4,940,958,000	+$151,990,000

Payments to Social Security Trust Funds

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Payments to Social Security Trust Funds:				
1. Special payments for certain uninsured persons (Prouty): Social Security Act (SSA), section 228(g)	Indefinite	$33,968,000	Indefinite	$25,458,000
2. Pension reform: SSA, section 1131(b)(2)	Indefinite	1,000,000	Indefinite	1,500,000
3. Unnegotiated checks: SSA, section 201(m); Social Security Amendments of 1983, section 152	Indefinite	157,000,000	Indefinite	20,000,000
Subtotal, annual appropriation		$191,968,000		$46,958,000
4. SECA tax credits: Social Security Amendments of 1983, section 124(b)	Permanent Indefinite	$1,528,000,000	Permanent Indefinite	-$25,000,000
5. Income tax equivalents, benefits: Social Security Amendments of 1983, section 121	Permanent Indefinite	2,987,000,000	Permanent Indefinite	4,831,000,000
6. Income tax equivalents, non-resident aliens: Social Security Amendments of 1983, section 121	Permanent Indefinite	82,000,000	Permanent Indefinite	88,000,000
Total appropriation		$4,788,968,000		$4,940,958,000

Payments to Social Security Trust Funds

Appropriation History Table 1/
(Annual Appropriation)

Fiscal Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1982	$848,698,000	$844,698,,000	$844,698,000	$843,658,000
1983	$855,213,000	$855,213,000	$2,155,213,000	$2,155,213,000 2/
1984	$521,258,000 3/	$448,583,000	$521,258,000	$521,258,000
1985	$512,722,000	$512,722,000	$512,722,000	$512,722,000
1985 Supp.	$3,500,000,000 4/	$3,500,000,000	$3,500,000,000	$3,500,000,000
1986	$497,008,000	$497,008,000	$497,008,000	$497,008,000
1987	$500,555,000	$500,555,000	$500,555,000	$500,555,000
1988	$105,298,000 5/	$105,298,000	$105,298,000	$105,298,000
1989	$93,631,000 6/	$93,631,000	$93,631,000	$93,631,000
1990	$191,968,000	$191,968,000	$191,968,000	$191,968,000
1991	$46,958,000			

1/ Excludes budget authority provided in legislation outside the normal (Appropriations Committee) appropriations process. The Social Security Amendments of 1983 (section 151) authorized and appropriated a general fund transfer of $19,735,000,000 in FY 1983 to reimburse the OASDI Trust Funds for:

- -- the present actuarial value of all future benefits and administrative costs arising from the granting of gratuitous credits for pre-1957 military service through September 30, 2015; and,
- -- the additional amount which would have been appropriated to the trust funds if military service wage credits granted for post-1956 service for the period from 1957-1983 had constituted wages.

Provision also was made for a one-time adjustment to the lump-sum transfer for post-1956 military service wage credits within 1 year after the original transfer. The adjustment resulted in a $2,429,000,000 general fund transfer which was made in FY 1984.

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The 1983 amendments also permanently appropriated to the Social Security trust funds all revenues from Federal income taxation of Social Security benefits, and amounts equal to the value of FICA and SECA tax credits granted through 1989.

2/ P.L. 98-63 (Making Supplemental Appropriations for the Fiscal Year Ending September 30, 1983) appropriated $1,300,000,000 to reimburse the trust funds for past unnegotiated checks under authority provided by the Social Security Amendments of 1983 (section 152).

3/ This represents the FY 1984 request as amended in September 1983 to reflect the effects of the 1983 Social Security amendments. The amendment reduced the original request by $317,225,000.

4/ The supplemental request for FY 1985 was an estimate of the maximum amount required for the first quinquennial adjustment of the 1983 lump-sum payment for pre-1957 military service credits authorized by the Social Security Amendments of 1983 (section 151). The appropriation was "not to exceed $3,500,000,000," and actual obligations were $3,220,000,000.

5/ Funds for the Department of Defense (DOD) for military service credits are included in the DOD appropriation for FY 1988 and subsequent years.

6/ Funds for the Public Health Service, Coast Guard and National Oceanic and Atmospheric Administration for military service credits are included in the appropriation for each respective agency in FY 1989 and subsequent years.

Payments to Social Security Trust Funds

Justification

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Appropriation request	$191,968,000	$46,958,000	-$145,010,000

General Statement

This account includes several Federal fund payments to the Social Security trust funds for a variety of distinct purposes. Of these payments, three that are authorized to be appropriated annually are included in this appropriation request. The purpose of each requested payment is to put the trust funds in the same financial position they would have been in had they not borne the cost of certain benefits or administrative expenses which are chargeable to Federal funds. The three payments included in this appropriation request are for: special payments to certain uninsured persons, pension reform and unnegotiated checks. Amounts appropriated to this account as permanent indefinite authority that are not addressed in this justification include receipts from Federal income taxation of Social Security benefits and the value of tax credits granted for a portion of SECA taxes. 1/

The President's appropriation request of $46,958,000 in FY 1991 for this account represents current law requirements. No proposed law amounts are included.

In the past, this request has included funds to reimburse the trust funds for costs associated with granting noncontributory credit for military service after 1956. These funds now are requested in the budgets of the Department of Defense, the Public Health Service, the National Oceanic and Atmospheric Administration and the Coast Guard because they are costs associated with military personnel.

1/ A brief description of the payments included in this account as permanent indefinite appropriations follows. The Social Security Amendments of 1983 provide Federal income tax credits to individuals paying Federal Insurance Contribution Act (FICA) or Self-Employment Insurance Contribution Act (SECA) taxes. The tax credits are reflected in individual income tax withholding rates, while an equivalent payment to the Social Security trust funds is made from the general funds of the Treasury. The FICA tax credit applied only to wages earned in calendar year 1984. The SECA tax credit applies through calendar year 1989. The estimated payments for SECA credits are $1,528 million for FY 1990 and -$25 million for FY 1991. The -$25 million in FY 1991 represents an appropriation adjustment for prior years.

The Social Security Amendments of 1983 also provide for taxation of up to one-half of Social Security benefits in excess of certain income thresholds. The taxes are collected as Federal income taxes, then an equivalent payment to the Social Security trust funds is made from the general funds of the Treasury. Transfers of estimated aggregate tax liabilities arising from Social Security benefits of U.S. citizens are made quarterly and then adjusted as actual receipts are known. The estimated income from these taxes is $2,987 million in FY 1990 and $4,831 million in FY 1991 from U.S. citizens; taxes imposed on aliens are transferred monthly and will generate estimated income of $82 million in FY 1990, and $88 million in FY 1991.

Program Accomplishments

Annual appropriations for Payments to Social Security Trust Funds have preserved the financial position of the trust funds. Specifically, annual appropriations have financed Social Security benefits for veterans who served prior to contributory coverage of military service in 1957, and Social Security tax equivalent contributions for deemed wage credits granted for military service performed after 1956. The trust funds have been similarly reimbursed for providing special benefit payments to persons too elderly to have worked long enough after passage of the Social Security Act to have become entitled to benefits. The payment for pension reform activity has reimbursed the OASI Trust Fund for costs of maintaining records and informing workers of their vested pension rights. The payment for unnegotiated checks has reimbursed the trust funds with interest for those benefit checks that remain uncashed after 6 months. These payments from general funds have in each case restored the trust funds to the position in which they would have been had they not borne the costs of these provisions. The table below shows obligations by activity for payments to the trust funds from annual appropriations during the period FY 1986-FY 1990 (obligations in thousands):

	FY 1986 Actual	FY 1987 Actual	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate
Military service credits 1/ . . .	$356,000	$368,917	---	---	---
Special payments for certain uninsured persons	90,264	69,394	$54,554	$42,606	$33,968
Pension reform .	305	744	744	1,025	1,000
Unnegotiated checks	42,000	61,500	50,000	50,000	157,000
Total	$488,569	$500,555	$105,298	$93,631	$191,968

1/ Excludes general fund transfer of $3,220,000,000 in FY 1986 (from a FY 1985 supplemental) for military service credits pursuant to section 151 of the Social Security Amendments of 1983. Beginning in FY 1988, the appropriation for this activity is included in the Department of Defense and other appropriation requests.

Payments to Social Security Trust Funds

Special Payments for Certain Uninsured Persons

Authorizing Legislation: Section 228(g) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority	$33,968,000	$25,458,000	-$8,510,000

Purpose and Method of Operation

The purpose of this payment is to reimburse the Federal Old-Age and Survivors Insurance (OASI) Trust Fund for the costs of special payments made to certain persons who were not insured for regular Social Security benefits.

Benefits were authorized in a 1966 amendment to the Social Security Act (the Prouty amendment) providing for special payments to persons aged 72 and over who were too elderly to have worked long enough after passage of the Act to be insured for Social Security benefits. To be eligible under the Prouty amendment, an individual must have attained age 72 before 1968, or meet certain minimal insured status requirements if he attained age 72 in 1968 or later. The benefit was first paid in FY 1967 and amounted to $35 a month for an individual plus $17.50 for an eligible spouse. Benefit increases were legislated periodically and in 1974 benefit increases were tied to cost-of-living adjustments granted to OASI beneficiaries. By 1989, the benefit amount had increased to $151.90. For individuals receiving a government pension, payments under a federally-aided public assistance program or payments under the supplemental security income program, Prouty benefits are reduced or withheld, as required by law. The number of persons receiving benefits under the Prouty amendment reached a peak of 729,000 in December 1967, and since then, has been decreasing gradually as the size of the aged population meeting the eligibility requirements decreases. As of September 30, 1989 there were 11,000 persons receiving benefits under this program, as compared to 15,000 on September 20, 1988.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986................	$90,264,000
1987......	$69,394,000
1988......	$54,554,000
1989..........	$42,606,000
1990 (estimate).....	$33,968,000

Section 228(g) of the Social Security Act, as amended, authorizes an annual appropriation of Federal funds to reimburse the OASI Trust Fund (with interest) for special monthly benefits paid during the second preceding fiscal year and all prior years to persons with fewer than three quarters of coverage. Special payments made to persons with three or more quarters of coverage are funded from the trust funds and not from general revenues. Of the total number of Prouty beneficiaries, approximately 91 percent (10,000 out of 11,000 receiving benefits on September 30, 1989) received benefits based on fewer than three quarters of coverage. The first authorized general fund appropriation was for the year ending June 30, 1969, for payments made in the year ending June 30, 1967. Similar appropriations are authorized for each year thereafter.

Rationale for the Budget Request

The FY 1991 request is for payment of $25,458,000 to the Federal Old-Age and Survivors Insurance Trust Fund for program costs incurred in FY 1989. Program costs include benefit payments actually made, related administrative expenses for establishing entitlement to such benefits and maintaining the beneficiary roll, and interest lost to the trust fund. The FY 1991 request is less than the FY 1990 amount as the result of a continually decreasing beneficiary population.

The reimbursement for FY 1989 program costs is composed of:

a. Beneficiary payments	$21,676,000
b. Administrative costs	143,000
c. Interest	3,639,000
Total, FY 1989 program costs . .	$25,458,000

Payments to Social Security Trust Funds

Pension Reform

Authorizing Legislation: Section 1131(b)(2) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget Authority	$1,000,000	$1,500,000	+$500,000

Purpose and Method of Operation

The purpose of this payment is to reimburse the Federal Old-Age and Survivors Insurance (OASI) Trust Fund for the cost of certain pension reform activities chargeable to Federal funds.

The Employee Retirement Income Security Act of 1974, P.L. 93-406 (Pension Reform Act), established section 1131 of the Social Security Act. This section requires the Secretary of Health and Human Services to furnish information regarding deferred vested pension rights to pension plan participants (and their dependents or survivors), either upon request or automatically upon application for retirement, survivors, or disability insurance benefits.

Section 1131(b)(1) permits the administrative expenses of carrying out this pension reform work to be funded initially from the OASI trust fund through SSA's limitation on administrative expenses. Section 1131(b)(2) authorizes an annual appropriation of Federal fund to reimburse the OASI Trust Fund for these pension reform administrative expenses. SSA began to incur pension reform administrative expenses in FY 1977.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986................	$305,000
1987................	$744,000
1988................	$744,000
1989................	$1,025,000
1990 (estimate).....	$1,000,000

Rationale for the Budget Request

The Social Security Administration's request for FY 1991 resources needed to reimburse the OASI trust fund for the cost of carrying out its responsibilities under the Pension Reform Act amounts to $1,500,000. The FY 1991 request is higher than FY 1990 to reflect the ongoing level of activity for pension reform and contains funds for increases in the costs of automation and prior year adjustments.

Although the cost of supplying vested pension rights information and processing pension fund administrator changes is included in the limitation on administrative expenses, it is chargeable by law ultimately to Federal funds. Thus, the Federal Old-Age and Survivors Insurance Trust Fund advances administrative expenses as needed, and is subsequently reimbursed for these costs, including interest as appropriate, via this appropriation.

Payments to Social Security Trust Funds

Unnegotiated Checks

Authorizing Legislation: Section 201(m) of the Social Security Act and section 152 of P.L. 98-21.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority . .	$157,000,000	$20,000,000	-$137,000,000

Purpose and Method of Operation

The purpose of this payment is to reimburse the Federal Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds for the value of benefit checks that remain uncashed after 6 months, plus interest.

This activity was established to fund the requirement in section 152 of the Social Security Amendments of 1983 (P.L. 98-21). Section 152 of the Social Security Amendments of 1983 dealt with the issue of limited negotiability of OASDI benefit checks in the following manner:

- It provided for a lump-sum payment to the OASDI Trust Funds from the general funds representing the value of uncashed checks which have been issued in the past, plus appropriate amounts of interest.
- It requires the Treasury Department to implement procedures under which (1) Treasury will make it possible to distinguish OASDI checks from other Government checks; and (2) the trust funds would be credited on a regular basis with an amount equal to the value of all OASDI benefit checks uncashed after 6 months, plus interest. Until these procedures were implemented in FY 1987, the ongoing monthly transfers were based on joint HHS/Treasury estimates of additional checks becoming 6 months old.
- It authorizes an annual appropriation to fund these general fund reimbursements to the Social Security trust funds.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986.............	$42,000,000
1987.............	$61,500,000
1988.............	$50,000,000
1989.............	$50,000,000
1990 (estimate)..	$157,000,000

The Competitive Equality Banking Act of 1987 (P.L.100-86)

Beginning in FY 1990, Social Security checks, like those issued by other Federal agencies, are negotiable for only 12 months from their date of issue under the provisions of the Competitive Equality Banking Act of 1987 (P.L. 100-86). In the 14th month after issue, the Department of the Treasury will prepare a listing of checks outstanding from each agency, cancel those checks, and refund the value of checks cancelled to the authorizing agencies. In October 1989 SSA and the Department of the Treasury signed a Memorandum of Understanding delineating the responsibilities of the respective agencies in crediting the trust funds for unnegotiated checks.

P.L. 100-86 was implemented on October 1, 1989. Implementation of this law sharply reduces, after FY 1990, the need for appropriation authority to reimburse the trust funds. In FY 1990, appropriation authority is necessary to reimburse the trust funds for the value of unnegotiated checks (and related interest) issued between March 1, 1989 and September 30, 1989, and to fund prior year adjustments. The value of unnegotiated checks issued on or after October 1, 1989 will be credited directly to the trust funds from Treasury's general fund when the checks are cancelled, pursuant to P.L. 100-86. In FY 1991 and later years, this appropriation activity will continue to fund interest payments.

Rationale for the Budget Request

The FY 1991 request is for $20,000,000 to reimburse the OASDI Trust Funds for the value of interest on unnegotiated checks.

	FY 1991 Estimate
OASI Trust Funds	$17,000,000
DI Trust Funds	3,000,000
Total	$20,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

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SOCIAL SECURITY ADMINISTRATION

Special Benefits for Disabled Coal Miners

For carrying out title IV of the Federal Mine Safety and Health Act of 1977, including the payment of travel expenses on an actual cost or commuted basis, to an individual, for travel incident to medical examinations, and when travel of more than 75 miles is required, to parties, their representatives, and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges [$648,862,000] *$626,081,000*, to remain available until expended: *Provided*, That monthly benefit payments shall be paid consistent with section 215(g) of the Social Security Act.

For making, after July 31 of the current fiscal year, benefit payments to individuals under title IV of the Federal Mine Safety and Health Act of 1977, for costs incurred in the current fiscal year, such amounts as may be necessary.

For making benefit payments under title IV of the Federal Mine Safety and Health Act of 1977 for the first quarter of fiscal year [1991, $215,000,000] *1992, $203,000,000*, to remain available until expended. *(Department of Health and Human Services Appropriations Act, 1990.)*

Special Benefits for Disabled Coal Miners

Language Analysis

Language Provision	Explanation
"...including the payment of travel expenses on an actual cost or commuted basis, to an individual, for travel incident to medical examinations, and when travel of more than 75 miles is required, to parties, their representatives, and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges..."	Authorizing legislation did not specify whether or not travel incident to medical examinations or travel for claimants, their representatives, and witnesses to attend reconsideration interviews and hearings was a necessary administrative expense. This provision, which permits the payment of these travel expenses for occasions requiring travel of more than 75 miles, reduces financial hardship to claimants. Similar language for the Social Security trust fund programs and SSI is present in subsections 201(j), 1631(h) and 1817(i) of the Social Security Act.
"...*Provided*, That monthly benefit payments shall be..."	This language provides the authority needed to compute black lung benefit payments on the same basis as title II and title XVI benefits.
"For making, after July 31 of the current fiscal year, benefit payments to individuals under title IV of the Federal Mine Safety and Health Act of 1977, for costs incurred in the current fiscal year, such amounts as may be necessary."	This language provides an indefinite appropriation to finance any shortfall in the definite appropriation for benefit costs during the last 2 months of fiscal year 1991.
"For making benefit payments under title IV of the Federal Mine Safety and Health Act of 1977 for the first quarter of fiscal year [1991, $215,000,000] *1992, $203,000,000* to remain available until expended."	This language provides authority to finance benefit payments for the first quarter of FY 1992. This provision ensures that beneficiaries will continue to receive benefits during the first quarter of FY 1992 in the event of a temporary funding hiatus.

Special Benefits for Disabled Coal Miners

Amounts Available for Obligation 1/

	1989 Actual	1990 Current Estimate	1991 Estimate
Appropriation			
Annual (definite)	$878,581,000	$859,862,000	$841,081,000
Regular appropriation . .	(628,581,000)	(648,862,000)	(626,081,000)
Sequester order pursuant to P.L. 99-177		-16,000	
Reduction pursuant to Section 518 of P.L. 101-166		-15,000	
First quarter advance appropriation	(250,000,000)	(211,000,000)	(215,000,000)
Indefinite current year appropriation	17,334,193	10,421,897	---
Subtotal, adjusted appropriation	$895,915,193	$870,252,897	$841,081,000
Unobligated balance available start-of-year	8,343,523	2,578,103	---
Unobligated balance available end-of-year .	-2,578,103	---	---
Unobligated balance lapsing	---	---	---
Net obligations . . .	$901,680,613	$872,831,000	$841,081,000

1/ Excludes the following amounts estimated for reimbursement from the Department of Labor: FY 1989 - $145,675 and 4 full-time equivalents (FTEs); FY 1990- $499,000 and 12 FTEs; and FY 1991 - $516,000 and 12 FTEs.

Special Benefits for Disabled Coal Miners

Summary of Changes

1990 Current estimate, budget authority	$870,252,897
1991 Estimate, budget authority	$841,081,000
Net Change	-$29,171,897

	1990 Base		Change from Base	
	Workyears (FTE)	Budget Authority	Workyears (FTE)	Budget Authority
Increase:				
A. Built-in:				
1. Benefit payments	--	$863,421,897	--	+$31,578,103
a. Full year effect of 3.6% increase effective January 1990, and 3.5% increase effective January 1991				(+29,000,000)
b. Reduction in benefit payments funded from prior year unobligated balances--($2,578,103 in FY 1990 to $0 in FY 1991). New budget authority requirements increase in FY 1991 because the amount of benefit payments funded from other sources (unobligated balances) decreases				(+2,578,103)
2. Administration	150 (146)	6,831,000	--	+250,000
a. Funds for full year effect of 3.6% pay raise effective January 1990	150 (146)		--	(+250,000)
Total increases . . .				+$31,828,103

	1990 Base		Change from Base	
	Workyears (FTE)	Budget Authority	Workyears (FTE)	Budget Authority
Decreases:				
A. **Built-in:**				
1. Benefit payments . . .	--	$863,421,897	--	-$61,000,000
a. Reduction in benefit payments due to a decrease of 16,000 beneficiaries . . .				(-60,000,000)
b. Decrease in average benefit amount . . .				(-1,000,000)
Total decreases .				-$61,000,000
Net change				-$29,171,897

Special Benefits for Disabled Coal Miners

Budget Authority by Activity
(Budget authority in thousands--
Columns may not add due to rounding)

	1989 Actual	1990 1/ Appropriation	1990 2/ Current Estimate	1991 Estimate
Benefit payments .	$889,235	$853,000	$863,422	$834,000
(Obligations) . .	($897,579)	($853,000)	($866,000)	($834,000)
Administration . .	6,680	6,831	6,831	7,081
(Obligations) . .	(4,102)	(6,831)	(6,831)	(7,081)
Total, budget authority . .	$895,915	$859,831	$870,253	$841,081
(Obligations) .	($901,681)	($859,831)	($872,831)	($841,081)
First quarter advance appropriation for the subsequent year .	($211,000)	($215,000)	($215,000)	($203,000)
Full-time equivalents . . .	90	146	146	146

1/ The amount shown for Administration has been reduced by the sequester of $16,000 pursuant to P.L. 99-177, and by $15,000 pursuant to section 518 of P.L. 101-166.

2/ The difference between FY 1990 budget authority and obligations is the value of the actual unobligated balance available at the start-of-year ($2,578,103). The 1990 current estimate figures reflect an increase of $10,421,897 over the 1990 appropriation amounts, the current projection for FY 1990 indefinite authority requirements.

Special Benefits for Disabled Coal Miners

Budget Authority by Object 1/

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Full-time equivalent of full-time permanent positions	146	146	--
Full-time equivalent of all other positions	4	4	--
Total compensable workyears . . .	150	150	--
Average ES salary	$81,514	$93,379	+$11,865
Average GS grade	8.34	8.34	--
Average GS salary	$29,237	$30,937	+$1,700
Personnel compensation:			
Permanent positions	$3,872,000	$4,070,000	+$198,000
Positions other than permanent	119,000	125,000	+6,000
Other personnel compensation .	32,000	34,000	+2,000
Special personal services payments	66,000	69,000	+3,000
Subtotal, personnel compensation	$4,089,000	$4,298,000	+$209,000
Personnel benefits	645,000	678,000	+33,000
Travel and transportation of persons	36,000	36,000	--
Transportation of things	12,000	12,000	--
Rents, communications and utilities:			
Rent	722,000	726,000	+4,000
Communications, utilities and miscellaneous charges	423,000	425,000	+2,000
Printing and reproduction	35,000	35,000	--
Other services	619,000	621,000	+2,000
Supplies and materials	110,000	110,000	--
Equipment	140,000	140,000	--
Insurance claims and indemnities	863,421,897	834,000,000	-29,421,897
Total, budget authority by object	$870,252,897	$841,081,000	-$29,171,897
First quarter advance appropriation for the subsequent year	($215,000,000)	($203,000,000)	(-$12,000,000)

1/ Excludes the following amounts for reimbursement from the Department of Labor: 12 workyears and $499,000 in FY 1990; and 12 workyears and $516,000 in FY 1991.

Special Benefits for Disabled Coal Miners

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Title IV of the Federal Mine Safety and Health Act of 1977	Indefinite	$870,252,897	Indefinite	$841,081,000 1/
First quarter advance appropriation for the subsequent year	---	($215,000,000)	---	($203,000,000)

1/ Includes an advance appropriation of $215,000,000 enacted in the Department of Health and Human Services Appropriations Act, 1990 (P.L. 101-166).

Special Benefits for Disabled Coal Miners

Appropriation History Table

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1982	$1,099,065,000	$1,099,065,000	$1,099,065,000	$1,099,065,000
1983	$1,102,000,000	$1,102,000,000	$1,093,000,000	$1,093,000,000
1984	$1,027,047,000	$1,027,047,000	$1,068,000,000	$1,068,000,000
1985	$1,024,131,000	$1,024,131,000	$1,024,131,000	$1,024,131,000
1986				
Definite	$997,908,000	$997,908,000	$997,908,000	$997,908,000
Sequester Order				-$280,000
Indefinite	$12,341,000			$256,000
1987	$963,437,000	$963,437,000	$963,437,000	$963,437,000
1988	$903,902,000	$915,902,000	$915,902,000	$915,902,000
1989				
Definite	$878,581,000	$878,581,000	$878,581,000	$878,581,000
Indefinite	$6,755,477			$17,334,193
1990				
Definite	$859,862,000	$859,862,000	$859,862,000	$859,862,000
Sequester Order				-$16,000
Reduction 1/				-$15,000
Indefinite	$10,421,897			
1991	$841,081,000 2/			
1992	$203,000,000 3/			

1/ Departmental action pursuant to Section 518 of P. L. 101-166.

2/ Includes $215,000,000 appropriated by Public Law (P.L.) 101-166.

3/ First quarter advance appropriation request for FY 1992.

Special Benefits for Disabled Coal Miners

Justification

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Special Benefits for Disabled Coal Miners:			
Budget authority . . .	$870,252,897	$841,081,000	-$29,171,897
(Obligations)	($872,831,000)	($841,081,000)	(-$31,750,000)
First quarter advance appropriation for the subsequent year . . .	($215,000,000)	($203,000,000)	(-$12,000,000)
Full-time equivalents .	146	146	(---)
Workyears	150	150	(---)

General Statement

The Social Security Administration makes payments of cash benefits to coal miners who are disabled due to coal workers' pneumoconiosis (black lung) and to their widows and certain other dependents.

SSA is responsible for processing and paying only those claims for miners' benefits that were filed between December 30, 1969, when the program originated, and June 30, 1973, when administration of the program was transferred to the Department of Labor. Under arrangements made for the transition of program administration responsibilities, the beneficiary roll maintained by SSA also includes those claims for dependent benefits filed by December 31, 1973, or within 6 months of the death of a miner or widow on the SSA roll (whichever is later). Since that time, SSA has continued to take the miners' claims as an agent of the Department of Labor, and forward them to the Department of Labor for adjudication and payment. Costs incurred by the Social Security Administration in taking these claims are reimbursed by the Department of Labor.

The appropriation request of $841,081,000 for FY 1991 represents current law requirements. No proposed law amounts are included. The President's budget request also includes $203,000,000 for the first quarter of FY 1992 for the Special Benefits for Disabled Coal Miners. This request ensures that benefit payments will be made timely, even if enactment of a FY 1992 appropriation is delayed.

Program Accomplishments

The Social Security Administration makes black lung benefit payments and maintains the beneficiary roll (e.g., keeping track of changes of address or events affecting entitlement for benefits). The most representative indicators of program accomplishments during the 5-year period, FY 1986-FY 1990, are the number of beneficiaries and the amount of benefits paid. This information is summarized below:

Fiscal Year	Beneficiaries (at midpoint of year)	Benefit Obligations
1986	290,000	$979,915,000
1987	272,000	$950,253,000
1988	254,000	$911,602,000
1989	238,000	$897,579,000
1990 (estimate)	221,000	$866,000,000

Special Benefits for Disabled Coal Miners

Benefit Payments

Authorizing Legislation: Federal Mine Safety and Health Act of 1977, Title IV.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority . .	$863,421,897	$834,000,000	-$29,421,897
(Obligations)	($866,000,000)	($834,000,000)	(-$32,000,000)
First quarter advance appropriation for the subsequent year . .	($215,000,000)	($203,000,000)	(-$12,000,000)

Purpose and Method of Operation

These funds are used to provide monthly cash benefits for coal miners who are totally disabled due to pneumoconiosis, augmented for a dependent wife, divorced wife, or children. Cash benefits are also available for the widows, orphaned children and certain other surviving dependent family members of miners whose deaths were due to this disease.

A disabled miner or an eligible widow receives a basic benefit amount ($371.80 effective January 1990). If the disabled miner or eligible widow has dependents, the benefit increases with the number of dependents--an additional 50 percent for one dependent, 75 percent for two dependents, and 100 percent for three or more dependents.

Funding levels (benefit payment obligations) for the past 5 fiscal years were as follows:

1986...........	$979,915,000 *
1987...........	$950,253,000
1988...........	$911,602,000
1989...........	$897,579,000 *
1990...........	$866,000,000 * (current estimate)

* Indefinite Authority used in these fiscal years (anticipated in FY 1990) is included.

Rationale for the Budget Request

In FY 1991, SSA is requesting $834,000,000 to pay black lung benefits--a decrease of $29,421,897 from the current FY 1990 estimate of $863,421,897. As in past years, black lung benefits are continuing to decrease due to the declining beneficiary roll for SSA's portion of the program. These changes are:

1. Reduction in the number of beneficiaries (-$60,000,000)

Mainly as a result of the death rate of miners and their widows, and the remarriage of widows, the number of beneficiaries on the roll will decline.

Estimated Beneficiaries (at midpoint of fiscal year)	FY 1990	FY 1991
Miners	50,000	44,000
Widows	121,000	116,000
Other dependents	50,000	45,000
Total	221,000	205,000

2. Reduction in average benefit payments (-$1,000,000)

The average monthly benefit payment for miners and widows includes payments for other dependents. However, as the number of dependents decline due to terminating events (e.g., age 18 attainment), the benefit amount of individual checks drops, thus reducing the overall average benefit. The average benefit payment decrease (excluding the effect of the 3.5 percent benefit increase in January 1991) is reflected in the table below:

	FY 1990	FY 1991
Miners	$499	$497
Widows	$368	$367
Children	$371	$369

3. Full year effect of 3.6 percent benefit increase effective January 1990 and 3.5 percent benefit increase effective January 1991 (+$29,000,000)

The basic benefit rate for a black lung recipient is $371.80 (effective January 1990). By law, the 3.5 percent Federal civilian pay increase assumed in the Administration's FY 1991 budget automatically triggers a comparable increase in black lung benefits effective January 1991.

4. Use of unobligated balances (+$2,578,103)

In FY 1990, $2,578,103 in benefit payment obligations are to be funded from the unobligated balance carried forward from FY 1989. SSA estimates that there will be no unobligated balance remaining at end-of-year FY 1990 to carry into FY 1991. Therefore, new budget authority requirements in FY 1991 include an increase of $2,578,103, which is the difference in the amount of benefit payment obligations to be funded from unobligated balances in FY 1990 and in FY 1991.

Special Benefits for Disabled Coal Miners

Administration

Authorizing Legislation: Federal Mine Safety and Health Act of 1977, Title IV.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority	$6,831,000	$7,081,000	+$250,000
Full-time equivalents . .	146	146	--
Workyears	150	150	--

Purpose and Method of Operation

For that portion of the black lung program directly administered by SSA, the primary objective in FY 1991 is to pay $834,000,000 in benefit payments accurately and timely, and to process the remaining appeals of denied claims. To achieve these objectives SSA must keep the beneficiary rolls up-to-date by reflecting additions to the rolls and deletions which result from death of a beneficiary or remarriage of a widow, posting new addresses, and responding to beneficiary inquiries.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986...............	$5,655,000
1987...............	$5,147,000
1988...............	$4,596,000
1989...............	$4,102,000
1990 (estimate).....	$6,831,000

Rationale for the Budget Request

The following table outlines SSA's estimated workloads and workyear needs for the black lung program:

A. **Workloads**

Appellate Workloads Processed:	1990 Current Estimate	1991 Estimate	Change
Hearings	100	100	--
Appeals	20	20	--
Court cases	20	20	--
Total	140	140	--

Maintenance of the Rolls:

Beneficiaries at midpoint of the year:			
Miners.	50,000	44,000	-6,000
Widows.	121,000	116,000	-5,000
Other dependents.	50,000	45,000	-5,000
Total	221,000	205,000	-16,000

B. Workyear Requirements

	1990 Current Estimate	1991 Estimate	Change
Full-time equivalents	146	146	--
Overtime	4	4	--
Total	150	150	--

Appellate workloads are the same in FY 1991 compared with the FY 1990 estimates while ongoing maintenance workloads decrease slightly. We expect the workyears required to process these ongoing workloads to remain the same since the change in the overall workload estimates is not significant.

The increase in administrative costs is attributable to the full year effect of the January 1990 Federal pay raise and the effect of the pay raise projected for January 1991.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income

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SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

For carrying out the Supplemental Security Income Program, title XI of the Social Security Act, section 401 of Public Law 92-603, section 212 of Public Law 93-66, as amended, and section 405 of Public Law 95-216, including payment to the Social Security trust funds for administrative expenses incurred pursuant to section 201(g)(1) of the Social Security Act, [$9,098,758,000] *$11,998,594,000*, to remain available until expended: *Provided*, That any portion of the funds provided to a State in the current fiscal year and not obligated by the State during that year shall be returned to the Treasury. *Provided, That all collections from repayments of overpayments shall be deposited in the general fund of the Treasury.* 1/

For making, after July 31 of the current fiscal year, benefit payments to individuals under title XVI of the Social Security Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary.

For carrying out the Supplemental Security Income Program for the first quarter of fiscal year [1991, $3,157,000,000] *1992, $3,550,000,000*, to remain available until expended. *(Department of Health and Human Services Appropriations Act, 1990.)*

Explanation of Language Change

1/ This language provides that any overpayment collections made for the Supplemental Security Income (SSI) program be deposited in the Treasury rather than used to offset current SSI expenditures. Under current policy, the collectible portion of uncollected SSI overpayments is recorded as an accounts receivable and becomes an asset of the SSI program. In the past this asset was considered a budgetary resource. This proposal would move the uncollected overpayments from the financial records for the SSI program, and the SSI program would use only current appropriations as budgetary resources. This change is intended to simplify SSI accounting procedures.

Supplemental Security Income Program

Language Analysis

Language Provision	Explanation
"...to remain available until expended:"	This language provides authority to use funds appropriated but not obligated in one fiscal year for obligations and expenditures in a subsequent year.
"*Provided*, That any portion of the funds provided to a State in the current fiscal year and not obligated by the State during that year shall be returned to the Treasury."	This provision ensures that States do not carry unobligated balances of Federal funds into the subsequent fiscal year. The provision applies primarily to the beneficiary services activity.
Provided, That all collections from repayments of overpayments shall be deposited in the general fund of the Treasury.	This provision is intended to simplify SSI accounting procedures by providing that overpayment collections be deposited in the Treasury rather than used to offset current SSI expenditures.
"For making after July 31 of the current fiscal year, benefit payments to individuals under title XVI of the Social Security Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary."	This language provision provides an indefinite appropriation to finance any shortfall in the definite appropriation for benefit costs during the last 2 months of the fiscal year.
"For carrying out the Supplemental Security Income Program for the first quarter of fiscal year [1991, $3,157,000,000] *1992, $3,550,000,000*, to remain available until expended."	This language appropriates funds for first quarter costs of the subsequent fiscal year. This provision ensures that beneficiaries will continue to receive benefits during the first quarter of FY 1992, in the event of a temporary funding hiatus.

Supplemental Security Income Program

Amounts Available for Obligation 1/

Appropriation	1989 Actual	1990 Current Estimate	1991 Estimate
Annual (definite) . . .	$12,473,953,000	$12,034,758,000	$15,155,594,000
Regular appropriation	(9,473,953,000)	(9,098,758,000)	(11,998,594,000)
First quarter advance appropriation . . .	(3,000,000,000)	(2,936,000,000)	(3,157,000,000)
Subtotal, adjusted appropriation . .	$12,473,953,000	$12,034,758,000	$15,155,594,000
Adjustment for Comparability 2/. .	-3,735,000	---	---
Indefinite appropriation	---	+260,000,000	---
Subtotal, adjusted budget authority .	$12,470,218,000	$12,294,758,000	$15,155,594,000
Unobligated balance, start-of-year	+101,611,000	+265,840,000	+66,446,000
Unobligated balance, end-of-year	-265,840,000	-66,446,000	-66,446,000
Recovery of prior year obligations	+13,705,000	---	---
Total, obligations .	$12,319,694,000	$12,494,152,000	$15,155,594,000

1/ Excludes the following amounts for reimbursable State supplementation payments: FY 1989 - $2,903,186,000; FY 1990 - $2,935,000,000; FY 1991 - $3,340,000,000.

2/ The Limitation on Administrative Expenses shows a comparative transfer of $16,658,000 to the Department of Health and Human Services primarily related to services provided by the Office of the General Counsel. Had this transfer actually occurred in 1989, it is estimated that the SSI payment to the trust funds would have been lower by $3,735,000.

Supplemental Security Income Program

Summary of Changes

1990 Current estimate, budget authority	$12,294,758,000
1991 Estimate, budget authority	$15,155,594,000
Net Change	+$2,860,836,000

	1990 Base Budget Authority	Change from Base Budget Authority
Increases:		
Built-in:		
1. Federal benefit payments	$11,185,613,000	+$3,609,387,000
a. Annualization of benefits for 590,000 recipients added to the rolls during FY 1990. (These recipients were on the rolls only for part of FY 1990, but for a full year in FY 1991.)		(+720,000,000)
b. Benefits for 590,000 new Federal recipients added to to the rolls during FY 1991		(+970,000,000)
c. Annualized effect of automatic cost-of-living increase of 4.7 percent in January 1990 and effect of 3.9 percent increase in January 1991		(+810,000,000)
d. Net increase related to acceleration of October 1989 SSI check to FY 1989 resulting in one less monthly payment in FY 1990 compared to FY 1991		(+920,000,000)
e. Implementation of regulatory change in medical criteria for disabled children		(+5,000,000)
f. The FY 1990 funding level for benefit payments consists of the $11,185,613,000 new budget authority base plus $184,387,000 carried over from FY 1989. Since the budget assumes no use of carryover in FY 1991, budget authority needs increase by $184,387,000		(+184,387,000)

	1990 Base Budget Authority	Change from Base Budget Authority
2. Beneficiary Services	$13,739,000	+$14,978,000
a. The FY 1990 funding level for vocational rehabilitation consists of the $11,200,000 new budget authority base plus $14,600,000 in carryover from FY 1989. Since no carryover is anticipated at the end of FY 1990, an increase in new budget authority is needed to maintain service levels		(+14,600,000)
b. State and local costs for monitoring drug addicts and alcoholics		(+378,000)
Program:		
1. Net increase in payment to the trust funds	$1,090,131,000	+122,471,000
2. Adjustment for changes in accounting for overpayments		+885,000,000
Total increases		$4,631,836,000
Decreases:		
Built-in:		
1. Federal benefit payments	$11,185,613,000	-$1,767,000,000
a. Decrease for 515,000 recipients in FY 1990 and 540,000 recipients in FY 1991 dropped from the benefit rolls due to normal attrition		(-1,477,000,000)
b. Reduction primarily due to Social Security cost-of-living adjustments that are counted as income for concurrent recipients (affects about half the SSI rolls)		(-290,000,000)
2. Beneficiary services -- Decrease in reimbursement to States for vocational rehabilitation due to revision in SSA's reimbursement formula	13,739,000	-1,000,000
3. Decrease in research and demonstration funding	5,275,000	-3,000,000
Total decreases		-$1,771,000,000
Net change		+$2,860,836,000

Supplemental Security Income Program

Budget Authority by Activity 1/

(Budget authority in thousands)

	1989 Actual 2/	1990 Current Estimate 3/	1991 Estimate
Federal benefit payments	$11,368,000	$11,185,613	$13,913,000
(Obligations)	($11,269,854)	($11,370,000)	($13,913,000)
Beneficiary services . .	13,547	13,739	27,717
(Obligations)	(19,808)	(28,451)	(27,717)
Payment to the trust funds and research and demonstration projects:			
(A) Payment to the trust funds . . .	1,086,396	1,090,131	1,212,602
(Obligations) .	(1,031,752)	(1,090,131)	(1,212,602)
(B) Research and demonstration projects	2,275	5,275	2,275
(Obligations) .	(2,014)	(5,570)	(2,275)
Total, budget authority	$12,470,218	$12,294,758	$15,155,594
(Obligations)	($12,323,429)	($12,494,152)	($15,155,594)

1/ Excludes the following amounts for reimbursable State supplementation payments: FY 1989 - $2,903,186,000; FY 1990 - $2,935,000,000; FY 1991 - $3,340,000,000.

2/ Includes a comparability adjustment of $3,735,000. The Limitation on Administrative Expenses shows a comparative transfer of $16,658,000 to the Department of Health and Human Services primarily related to services provided by the Office of the General Counsel. Had this transfer actually occurred in 1989, it is estimated that the SSI payment to the trust funds would have been lower by $3,735,000. Totals may not add due to rounding.

3/ Reflects estimated Federal benefit payments of $260,000,000 funded from the indefinite appropriation.

Supplemental Security Income Program

Budget Authority by Object

	1990 Current Estimate 1/	1991 Estimate	Increase or Decrease
Other services	$1,109,145,000	$1,242,594,000	+$133,449,000
Grants, subsidies and contributions	11,185,613,000	13,913,000,000	+2,727,387,000
Insurance claims and indemnities	---	---	---
Total, budget authority by object	$12,294,758,000	$15,155,594,000	+$2,860,836,000

1/ Reflects estimated Federal benefit payments of $260,000,000 funded from the indefinite appropriation.

Supplemental Security Income Program

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Conference Report	
Research and Demonstration Projects for Potential SSI Recipients	
House and Senate Conferees recommended that not less than $3.5 million be used for new outreach activities for potential SSI recipients, aimed particularly at elderly people who might be eligible for SSI. The conferees encouraged this initiative to include a combination of direct services and contract services with organizations such as the existing network of area agencies on aging and the Administration on Aging.	SSA is working with advocacy groups and community organizations to expand SSI outreach efforts. The Agency is in the process of implementing a grant program to disburse the research and demonstrations funds set aside for outreach. SSI outreach is a major priority for SSA.
FY 1990 House Report	
Research and Demonstration Projects for Potential SSI Recipients	
The Committee approved an additional $3 million for research and demonstration activities for SSA to initiate a new program of outreach to potential elderly recipients of SSI benefits. The Committee expects these demonstrations to use a combination of direct services with organizations such as the existing network of area agencies on aging.	SSA is working with advocacy groups and community organizations to expand SSI outreach efforts. The Agency is in the process of implementing a grant program to disburse the research and demonstrations funds set aside for outreach. SSI outreach is a major priority for SSA.

Supplemental Security Income Program

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report	
Delay in Reimbursing State Vocational Rehabilitation Agencies	
The Committee stated that it understood that there have been delays in reimbursing State Vocational Rehabilitation (VR) agencies for their successful rehabilitations of SSI recipients because there have been higher than anticipated costs. The Committee expressed its expectation that SSA would reimburse the States for any legitimate costs owed.	SSA shares the Committee's concern about the delay in reimbursing State VR agencies. Needed additional funding was made available late in FY 1989 which has helped to alleviate the backlog of these claims. During FY 1990, in addition to obligating $11.2 million from new budget authority (BA), we anticipate obligating an additional $14.6 million from FY 1989 unobligated balances for a total of $25.8 million. As indicated in the summary of changes section of the justification, we are asking that FY 1991 new BA be provided at a commensurate level. SSA expects that reimbursement to State VR agencies will be made on a more timely basis in FY 1990 and beyond.

Supplemental Security Income Program

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Title XVI of the Social Security Act, section 401 of P.L. 92-603, and section 212 of P.L. 93-66, as amended, and section 405 of P.L. 95-216 . .	Indefinite	$12,294,758,000 1/	Indefinite	$15,155,594,000
First quarter advance appropriation for subsequent year	---	($3,157,000,000)	---	($3,550,000,000)

1/ The FY 1990 current estimate reflects estimated Federal benefit payments of $260,000,000 to be funded from the indefinite appropriation.

Supplemental Security Income Program

Appropriation History Table

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1982	$8,082,477,000	$7,754,477,000	$7,757,577,000	$7,772,388,000
1983	$8,919,495,000	$8,571,749,000	$8,543,616,000	$8,543,616,000
1984	$8,169,518,000	$7,510,618,000	$8,339,076,000	$8,339,000,000
1985	$9,383,076,000	$9,328,076,000	$9,399,076,000	$9,361,786,000
1986	$10,057,858,000	$10,038,358,000	$10,038,358,000	$10,057,858,000
1986 Sequester Order				-$32,669,000
1986 Indefinite	$253,545,000			$555,405,000
1987	$10,569,318,000	$10,569,318,000	$10,569,318,000	$10,569,318,000
1987 Indefinite	$227,954,000			
1988	$12,302,933,000	$12,300,384,000	$12,300,384,000	$12,300,384,000
1988 Indefinite	$262,188,000			
1989	$12,473,953,000	$12,473,953,000	$12,473,953,000	$12,473,953,000
1990	$12,052,442,000	$12,034,758,000	$12,031,758,000	$12,034,758,000
1990 Indefinite	$260,000,000			
1991 1/	$15,155,594,000			
1992 2/	$3,550,000,000			

1/ Includes $3,157,000,000 appropriated by Public Law (P.L.) 101-166.

2/ Advance appropriation for the first quarter of FY 1992.

Supplemental Security Income Program

Justification

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Supplemental Security Income Program:			
Budget authority . . .	$12,294,758,000	$15,155,594,000	+$2,860,836,000
(Obligations)	($12,494,152,000)	($15,155,594,000)	(+$2,661,442,000)
First quarter advance appropriation for subsequent year . . .	($3,157,000,000)	($3,550,000,000)	(+$393,000,000)

General Statement

Title XVI of the Social Security Act mandates a supplemental security income (SSI) program of monthly cash benefits payable to the needy aged, blind and disabled, as a federally-guaranteed minimum income. The program is federally-administered and financed from general funds. States are encouraged to supplement the Federal benefit and may elect to have their supplementation payments administered by the Federal Government. Supplementation is mandatory for certain recipients who were on State rolls just prior to the creation of the Federal program on January 1, 1974. Otherwise, State supplementation is optional.

The President's appropriation request of $15,155,594,000 (including $3,157,000,000 appropriated in advance for the first quarter) for FY 1991 includes the impact of a proposed appropriations language change which is intended to simplify SSI accounting procedures.

Highlights of the FY 1990-FY 1991 Budget Request

--The average number of Federal SSI recipients is expected to increase about 1.4 percent in FY 1991 to 4,282,000 from 4,224,000 in FY 1990.

--The maximum Federal monthly benefit amount also is expected to increase in FY 1991 to $401 for an individual and $601 for a couple, compared to the current benefit standard of $386 for an individual and $579 for a couple. Supplemental security income benefits are adjusted for changes in the cost of living in the same manner as Social Security benefits. A cost-of-living adjustment (COLA) of 4.7 percent was reflected in payments beginning in January 1990, and the appropriation request reflects an estimated COLA of 3.9 percent payable in January 1991.

The amount actually paid to a recipient can vary from the benefit standard based on other income received (e.g., earnings and Social Security benefits) and the living arrangements of the recipient (e.g., residence in one's own home, the household of another person, or in a nursing home which meets Medicaid standards). Average monthly payments per recipient are estimated as follows:

	1990	1991
Aged	$163	$169
Blind and Disabled	$275	$286
All SSI Recipients	$242	$253

-- The FY 1991 President's budget also requests an advance appropriation of $3,550,000,000 for the first quarter of FY 1992 to ensure that SSI recipients will continue to receive timely payments at the start of FY 1992 in the event of a temporary funding hiatus.

Revisions to the FY 1990 Budget

To take into account more recent experience, the FY 1990 budget estimates have been updated. The table below displays how appropriated amounts will be obligated:

	FY 1990		
	Appropriation	Current Estimate	Change
Federal benefit payments . .	$10,925,613,000	$11,370,000,000	+$444,387,000
Beneficiary services	13,739,000	28,451,000	+14,712,000
Payment to the trust funds .	1,090,131,000	1,090,131,000	---
Research and demonstration projects	5,275,000	5,570,000	+295,000
Subtotal, Obligations . . .	$12,034,758,000	$12,494,152,000	+$459,394,000
Financing:			
Definite appropriation . . .	$12,034,758,000	$12,034,758,000	---
Indefinite appropriation . .	---	+260,000,000	+260,000,000
Unobligated balance start-of-year	---	+265,840,000	+265,840,000
Unobligated balance end-of-year	---	-66,446,000	-66,446,000
Total, FY 1990 budgetary resources . . .	$12,034,758,000	$12,494,152,000	+$459,394,000

Federal Benefit Payments (+$444,387,000)

The current FY 1990 estimates are higher than those assumed in the FY 1990 appropriation because of higher than previously estimated numbers of recipients and average payments:

- Recipients (Excluding Recipients of Federally-Administered State Supplementation Only Payments): The appropriation for FY 1990 assumed the total number of SSI recipients to be 4,177,000. The current estimate has been increased by 47,000 recipients to 4,224,00 based on actual experience through FY 1989.
- Average Monthly Benefit Payments: The estimate in the FY 1990 appropriation assumed average monthly benefit payments of $269 for blind and disabled recipients. The current estimate reflects average monthly benefit payments of $275. Average monthly benefit payments for the aged increase from the budgeted $159 to an estimated $163 based on actual experience through FY 1989.

Beneficiary Services (+$14,712,000)

Virtually all ($14,600,000) of the increase is for vocational rehabilitation. SSA's revised estimate for 1990 reflects sufficient funding to pay all the State claims anticipated in FY 1990, consistent with the committee's concerns about timely payments to the States.

Research and Demonstration Projects (+$295,000)

In FY 1989, $295,000 in budget authority remained available at the end of the year and was carried over into FY 1990. In FY 1990 these funds, in addition to the $5,275,000 in new budget authority, will be used for research and demonstration projects and for outreach activities as mandated by Congress.

Program Accomplishments

Federal Program Payments

The Supplemental Security Income (SSI) program provides the needy aged, blind and disabled sufficient income to maintain a standard of living at the established Federal minimum income level. The average number of recipients on the rolls during each of the past 4 fiscal years (FY 1986-FY 1989) and the projections for FY 1990 are shown in the table below. This table includes recipients of both Federal SSI payments and federally-administered State supplementation payments.

Average SSI Recipients
(in thousands)

	Fiscal Year				
	1986	1987	1988	1989	1990 Estimate
Aged	1,313	1,284	1,257	1,239	1,238
Blind and disabled . . .	2,520	2,664	2,776	2,870	2,986
Total, Federal	3,833	3,948	4,033	4,109	4,224
State supplementation . .	339	353	367	375	381
Total, average SSI recipients	4,172	4,301	4,400	4,484	4,605

The following table details the amount obligated for Federal SSI benefit payments for FY 1986 to FY 1989 and the projection for FY 1990.

SSI Benefit Payment Obligations 1/
(in millions of dollars)

	Fiscal Year				
	1986	1987	1988	1989	1990 Estimate
Federal program payments	$9,395	$9,815	$11,377	$11,270	$11,370

1/ FY 1988 payments reflect 13 months of benefits as a result of the accelerated check provision of P.L. 95-216. FY 1990 payments reflect 11 months of benefits as a result of the same provision.

Beneficiary Services

There are two components to beneficiary services: First, Vocational Rehabilitation (VR) reimburses States for reasonable and necessary costs incurred in successfully rehabilitating disabled SSI recipients with the objective of returning them to productive, self-supporting work activity. Second, the Drug Addicts and Alcoholics (DA&A) activity funds contracts between the Secretary and various governmental and private agencies to cover the cost of referring disabled SSI recipients who are drug and alcohol abusers to approved treatment facilities, and monitoring and reporting their progress to the Social Security Administration.

The following table details the number of successful vocational rehabilitations funded from this account and includes a projection for FY 1990.

Successful Vocational Rehabilitations

	Fiscal Year				
	1986	1987	1988	1989	1990 Estimate
Successful vocational rehabilitations	1,310	1,493	1,634	2,267	2,849
Average cost of rehabilitation	$5,733	$6,705	$6,347	$8,647	$9,048

Research and Demonstrations

SSI outreach is a major priority for SSA. As recommended by the Conference Report on the Department of Health and Human Services Appropriations Act, 1990, which added $3 million to this activity for SSI outreach, SSA is working with advocacy groups and community organizations to expand SSI outreach efforts. The agency is in the process of implementing a grant program to disburse research and demonstration funds set aside for this purpose.

Supplemental Security Income Program

Federal Benefit Payments

Authorizing Legislation: Sections 1602, 1611, and 1617 of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority . . .	$11,185,613,000	$13,913,000,000	+$2,727,387,000
(Obligations)	($11,370,000,000)	($13,913,000,000)	(+$2,543,000,000)
First quarter advance appropriation for subsequent year . . .	($3,157,000,000)	($3,550,000,000)	(+$393,000,000)

Purpose and Method of Operation

The SSI program was established to pay needy aged, blind and disabled individuals a minimum level of income through federally-administered monthly cash payments. In many cases, these payments supplement income from other sources, including Social Security benefits. The budget request for FY 1991 includes $13,913,000,000 for payments to 4,282,000 recipients of monthly Federal payments.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986	$9,395,156,000
1987	$9,815,061,000
1988	$11,376,812,000
1989	$11,269,854,000
1990 (estimate). .	$11,370,000,000

Rationale for the Budget Request

The increase for FY 1991 over FY 1990 shown above is the net effect of several factors:

A. Number of Monthly Payments Falling Within the Fiscal Year

The FY 1990 estimate reflects 11 monthly payments, compared to 12 in FY 1991. This can occur if the day on which payments are usually made falls on a weekend or holiday. Payment is then advanced to the next preceding business day. For this reason, the October 1989 payment was advanced into FY 1989, leaving 11 payments in FY 1990. The number of payments in FY 1991 will remain at 12, however, because the October 1990 payment will be paid in FY 1991.

B. Average Monthly Number of Recipients

The table below reflects the estimated average monthly number of recipients of Federal SSI payments (excluding recipients of federally-administered State supplementation only payments) under current law (in thousands):

	1990 Current Estimate	1991 Estimate	Change Number	Change Percent
Aged	1,238	1,214	-24	-1.9%
Blind and disabled .	2,986	3,068	+82	+2.7%
Total	4,224	4,282	+58	+1.4%

C. Maximum Monthly Federal Payments

Under the automatic cost-of-living adjustment (COLA) provision, a 4.7 percent increase was paid on December 29, 1989 for January 1990 and a 3.9 percent increase is projected for January 1991. The maximum monthly Federal payments estimated for FY 1990 and FY 1991 under present law are:

	FY 1990		FY 1991	
	First 3 Months	Last 9 Months (4.7% Increase)	First 3 Months	Last 9 Months (3.9% Increase)
Single individual . .	$368.00	$386.00	$386.00	$401.00
Couple	$553.00	$579.00	$579.00	$601.00

D. Estimated Average Monthly Payments

Because SSI recipients generally have some other monthly income such as Social Security benefits or private pensions, most have their Federal payment reduced. The table below shows the estimated net average monthly Federal payments to SSI recipients for FY 1990 and FY 1991 under current law:

	1990	1991
Aged	$163.00	$169.00
Blind and disabled . .	$275.00	$286.00
All SSI recipients . .	$242.00	$253.00

E. Following is a description of the major factors which affect monthly payments:

1. Automatic Benefit Increases

The SSI automatic cost-of-living increases granted on January 1 of each year raise average SSI payments. The effect of COLAs on the maximum monthly payment is shown in paragraph C above. Those SSI recipients who receive Social Security also receive a Social Security COLA, which increases their other monthly income, thus reducing their SSI payments. This factor partially offsets the increase in average SSI payments.

2. Mix of SSI Recipients Who Concurrently Receive Social Security Benefits

Average monthly payments are significantly lower than the maximum amount payable under the law primarily because roughly half of the SSI recipients also receive social security benefits. Approximately 70 percent of the SSI aged group and 37 percent of the SSI blind and disabled population receive concurrent payments.

3. Mix of Converted and New Recipients

SSI recipients who were on the State adult assistance rolls prior to the SSI program were grandfathered into the SSI program. Experience shows that these converted recipients receive higher payments on the average than do those who have come onto the SSI rolls since January 1974. The number of converted recipients is dropping steadily, due primarily to death, cessation of disability or excess income or resources. This decline is illustrated by the following table:

SSI Recipients of Federal Payments at End-of-Year (in thousands)

	Total	Converted	% Converted
FY 1989 Actual	4,188	621	15%
FY 1990 Estimate	4,264	560	13%
FY 1991 Estimate	4,313	510	12%

4. Mix of Aged and of Blind and Disabled Recipients

Current estimates indicate that the decline in the number of aged recipients and increase in blind and disabled recipients will continue in FY 1991. This change in the population mix is illustrated in the following table (excludes recipients of federally-administered State supplementation only payments):

SSI Recipients of Federal Payments (in thousands)

	Total	Aged	Blind and Disabled	B&D As % of Total
FY 1989 Actual . .	4,109	1,239	2,870	70%
FY 1990 Estimate .	4,224	1,238	2,986	71%
FY 1991 Estimate .	4,282	1,214	3,068	72%

As previously indicated, the blind and disabled population receives a larger average monthly benefit than the aged population. This occurs because blind and disabled recipients generally have less income from other sources to offset SSI benefits. As the proportion of blind and disabled recipients to the total recipient population increases, the overall average monthly benefit increases.

5. Efforts to Improve Payment Accuracy

SSA is continuing its efforts to improve payment accuracy by locating and terminating ineligible recipients and correcting benefits to eligible beneficiaries. A major means of improving payment accuracy is through the redetermination process. A redetermination is a review of conditions for SSI eligibility to ensure that the recipient is still entitled to benefits and is receiving the correct amount.

In addition, SSA conducts computer matches of IRS records of nonwage income against the SSI rolls (under authority granted by the Deficit Reduction Act of 1984) to detect unreported assets (primarily bank accounts). Actions taken as a result of such matches include independent verification of the assets or income, and notification to the recipient of the findings and appeal and waiver rights involved.

Total SSI Federal overpayment collections are estimated at $175 million in FY 1990 and $185 million in FY 1991. The amount withheld from a recipient's monthly check to recover an overpayment is limited by the Deficit Reduction Act of 1984 (P.L. 98-369) to a maximum of 10 percent of the check.

Policy Change With Respect to Accounting for Overpayments

As we have discussed for a number of years in the Department's budget justification, under HHS accounting policy for SSI and other benefit payment program overpayments, overpayment collections have been used to offset current SSI expenditures, and the collectible portion of outstanding overpayments has been considered to be an account receivable. This policy permitted use of the collectible portion of the account receivable as a budgetary resource in anticipation of the cash being recovered in future years.

A recent examination of this policy by financial policy officials within SSA and HHS, including an independent examination by the HHS Office of the Inspector General, resulted in a revision to the policy to recognize that, even though recording the overpayments as a receivable creates a budgetary resource to make payments, these resources should be limited to the amount of cash collected from these overpayments (a process which spans a period of several fiscal years).

As a result, the Administration is requesting $700 million in budget authority (included in the Federal benefit payment activity) to "buy out" the outstanding receivables. In addition, the Administration is further proposing appropriations language which would require that all SSI overpayment collections be deposited to the general receipts of the Treasury rather than being used to offset current expenditures. Since overpayment collections received during the year would no longer be credited to the SSI account, additional budget authority of $185 million will be needed in FY 1991 to fund benefit payments that would have been funded by overpayment collections. Because the overpayment collections when received will be deposited with the Treasury, the net effect of this proposal on the deficit is zero.

Supplemental Security Income Program

Beneficiary Services

Authorizing Legislation: Sections 1611(e)(3) and 1615(d) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority	$13,739,000	$27,717,000	+$13,978,000
(Obligations)	($28,451,198)	($27,717,000)	(-$734,000)

Purpose and Method of Operation

Funds requested for this activity are for two purposes:

1. Vocational Rehabilitation--to reimburse Vocational Rehabilitation (VR) agencies for reasonable and necessary costs of services which resulted in disabled SSI recipients being successfully rehabilitated (section 1615(d) of the Social Security Act). The objective of vocational rehabilitation for SSI recipients is to help disabled individuals return to productive, self-supporting work activity. SSA provides funds to reimburse VR agencies for costs incurred in successfully rehabilitating SSI recipients. In addition, section 1615 of the Social Security Act allows SSA to reimburse States for the costs of rehabilitation services to recipients who refuse to continue services and lose their benefits as a result. A successful rehabilitation is defined by law as one in which VR services result in performance of substantial gainful activity (SGA) for a continuous period of 9 months.

2. Drug Addicts and Alcoholics--to monitor the treatment of certain disabled SSI recipients who abuse drugs or alcohol (section 1611(e)(3) of the Social Security Act). Disabled SSI recipients who are medically determined to be addicts or alcoholics and whose addiction contributes to their disability must undergo appropriate treatment for their conditions at an approved facility. Under contracts with the Secretary, governmental and private agencies refer abusers to approved treatment facilities, monitor their treatment, and report noncompliance and successful treatment to the Social Security Administration.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986	$9,000,000
1987	$11,136,000
1988	$12,170,000
1989	$19,808,000
1990 (estimate). . . .	$28,451,000

Rationale for the Budget Request

1. Vocational Rehabilitation (VR) Services to Disabled SSI Recipients ($24,800,000)

In FY 1990 the VR program is expected to rehabilitate approximately 2,849 individuals at an average cost of about $9,048 per case. We anticipate the same level of case approvals at an average cost of about $8,688 per case in FY 1991. Average costs are budgeted to decrease in FY 1991 as a result of the full year effect of SSA's revisions in the formulas for determining the amount of the reimbursement. SSA determined that one of four formula options available for State selection prior to October 1988 overstated indirect costs significantly. This option was eliminated. In addition, SSA has updated the cost/benefit analysis procedure used in calculating expected savings to the trust funds and general revenues, to include factors of age, sex, work history and average time on the rolls to provide a "cap" for high cost claims. The "cap" ensures that the amount of reimbursement to a State does not exceed the savings to the general fund generated by a successful rehabilitation. Program reimbursement is provided to the States only for beneficiaries who successfully complete 9 continuous months of substantial gainful activity attributable to VR services or for those who refuse to continue services and lose their benefits as a result. SSA is working with the State VR agencies in a review of the VR program to achieve program improvements and maximum cost-effectiveness.

2. Monitoring the Treatment of Drug Addicts and Alcoholics ($2,917,000)

These funds are used for the referral and monitoring of drug addicts and alcoholics in conjunction with the SSI program. In FY 1991 approximately 10,627 recipients will be served.

Supplemental Security Income Program

Payment to the Trust Funds and Research and Demonstration Projects

Authorizing Legislation: Sections 201(g)(1), 1110 and 1115, and 1633 of the Social Security Act and section 505(b) of the Social Security Disability Amendments of 1980, as amended (P.L. 96-265).

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Payment to the Trust Funds:			
Budget authority	$1,090,131,000	$1,212,602,000	+$122,471,000
(Obligations)	($1,090,131,000)	($1,212,602,000)	(+$122,471,000)
Research and Demonstration Projects:			
Budget authority	$5,275,000	$2,275,000	-$3,000,000
(Obligations)	($5,570,000)	($2,275,000)	(-$3,295,000)
Total budget authority .	$1,095,406,000	$1,214,877,000	+$119,471,000
(Total obligations) . .	($1,095,701,000)	($1,214,877,000)	($119,176,000)

Purpose and Method of Operation

Payment to the Trust Funds

Section 201(g)(1) of the Social Security Act provides that administrative expenses for the SSI program, including Federal administration of State supplementation payments, may be financed from the Social Security trust funds with reimbursement, including any interest lost, to the trust funds from general revenues. The legislative history of the 1972 amendments (which established this funding mechanism) indicates a desire to obtain economy of administration by giving the Social Security Administration the responsibility for the SSI program because of its existing district office network and its administrative and automated data processing facilities. Because of the integration of the administration of the SSI and Social Security programs it was desirable to fund them from a single source, with reimbursement to the trust funds based on a GAO-approved method of cost analysis of the respective expenses of the SSI and Social Security insurance programs, and a final settlement by the end of the subsequent fiscal year required by law. This activity funds the payment to the trust funds.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986	$985,243,000
1987	$972,118,000
1988	$1,119,173,000
1989	$1,031,752,000
1990 (estimate). . .	$1,090,131,000

Research and Demonstration Projects (Section 1110/1115 Research)

This activity requests funding for title II and title XVI research and demonstration projects conducted under authority of sections 1110 and 1115 of the Social Security Act. In FY 1990, SSA will emphasize outreach activities focused on ensuring that individuals, who are potentially eligible for SSI, are aware of the benefits and services available through this program. SSA's outreach strategy has three major thrusts:

--to develop and provide informational material about SSI that will promote a better understanding of the program;
--to reach out to individuals who are aware of the program but are reluctant to apply for "welfare," by working toward a more positive public perception of the program; and,
--to make the process of applying for SSI benefits easier.

This activity also will fund efforts to obtain important longitudinal data about the demographics and economic status of SSA beneficiaries. SSA will continue to fund research and demonstration activities concentrating on assisting beneficiaries to secure employment. This effort includes:

--comprehensive and systematic employment assistance;
--better coordination between public and private sector programs to increase beneficiary access to employment;
--application of new technologies to assist return to employment; and,
--marketing of work incentives, vocational rehabilitation and employment information.

Funding levels (obligations) for the past 5 fiscal years were as follows:

1986	$792,000
1987	$444,000
1988	$412,000
1989	$2,014,000
1990 (estimate).	$5,570,000

Rationale for the Budget Request

The FY 1991 request includes $1,212,602,000 for payment to the Social Security trust funds as reimbursement for Federal administrative costs. This estimate is consistent with the SSI program's estimated share of SSA's administrative costs as reflected in the justification for the Limitation on Administrative Expenses. For FY 1990, Congress reduced the amount requested for payment to the trust funds by about $20 million, to $1,090,131,000. At present we believe that this amount will be sufficient to reimburse the trust funds for the current estimate of administrative costs borne on behalf of the SSI account in FY 1990. However, as noted previously, in the event of a shortfall, authority exists to complete the reimbursement, with interest, from the appropriation for the subsequent year (i.e., FY 1991).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Limitation on Administrative Expenses

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SOCIAL SECURITY ADMINISTRATION

Limitation on Administrative Expenses

For necessary expenses, not more than [$3,837,389,000] *$4,166,974,000* may be expended, as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein: *Provided*, That travel expense payments under section 1631(h) of such Act for travel to hearings may be made only when travel of more than seventy-five miles is required: *Provided further*, That [$97,870,000] *$50,000,000* of the foregoing amount shall be apportioned for use only to the extent necessary to process workloads [or meet other costs][1] not anticipated in the budget estimates, *for automation projects and their impact on the workforce*,[1] and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved[: *Provided further*, That none of the funds appropriated by this Act may be used for the manufacture, printing, or procuring of social security cards, as provided in section 205(c)(2)(D) of the Social Security Act, where paper and other materials used in the manufacture of such cards are produced, manufactured, or assembled outside of the United States][2]. *(Department of Health and Human Services Appropriations Act, 1990.)*

Explanation of Language Changes

1/ These changes restore the more restrictive contingency reserve language which was in effect prior to 1990.

2/ This change simplifies the appropriation language and eliminates a restriction in the use of appropriated funds which is no longer necessary.

Limitation on Administrative Expenses

Language Analysis

Language Provision	Explanation
"*Provided*, That travel expense payments under section 1631(h) of such Act for travel to hearings may be made only when travel of more than seventy-five miles is required:"	Authorizing legislation enacted in the Social Security Disability Amendments of 1980 specifies that the Secretary "shall pay" for travel incident to medical examinations and for claimants, their representatives, and witnesses to attend reconsideration interviews and hearings for title XVI claims. This provision restores the mileage limitation which was established in regulations before enactment of the 1980 Disability Amendments and makes travel reimbursement policy the same for SSI and Social Security claimants.

Limitation on Administrative Expenses

Amounts Available for Obligation 1/

	1989 Actual	1990 Estimate	1991 Estimate
Appropriation	$3,750,113,000	$3,837,389,000	$4,166,974,000
Comparative transfers to other Department of Health and Human Services accounts for administrative services provided by the Office of the General Counsel, the Grant Appeals Board and the Office of the Inspector General	-16,658,000	-0-	-0-
Subtotal, adjusted budget authority	$3,733,455,000	$3,837,389,000	$4,166,974,000
Recovery of prior year obligations	+25,054,000	+5,000,000	-0-
Unobligated balance, start-of-year	+12,212,000	+10,683,000	+7,127,000
Unobligated balance, end-of-year	-10,683,000	-7,127,000	-7,127,000
Unobligated balance lapsing	-10,776,000	-97,870,000	-50,000,000
Total obligations . . .	$3,749,262,000	$3,748,075,000	$4,116,974,000

1/ Excludes the following amounts for reimbursable work performed in the areas of earnings and pension reporting, food stamp applications, Medicare, and Federal property management:

	1989 Actual	1990 Estimate	1991 Estimate
Obligations	$34,516,000	$45,238,000	$45,229,000
Full-time equivalents (FTEs)	505	566	566

Limitation on Administrative Expenses

Summary of Changes

FY 1990 Estimate, budget authority	$3,837,389,000
FY 1991 Estimate, budget authority	4,166,974,000
Net Change	+$329,585,000

	1990 Current Estimate Base		Change from Base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority
Increases:				
A. **Built-in:**				
1. Mandatory payroll costs, including periodic step increases, career ladder promotions and costs for new employees hired under the Federal Employees Retirement System Act of 1986 . . .	--	$1,831,128,000	--	+$42,882,000
2. Full-year effect of the 3.6 percent Federal pay raise effective January 1990 . .	--	51,885,000	--	+22,845,000
3. Effect of 3.5 percent Federal pay raise effective January 1991 . .	--	--	--	+56,344,000
4. Full-year effect of higher Federal contributions to employee health benefit plans due to increased rates effective January 1990 . .	--	104,292,000	--	+3,000,000

	1990 Current Estimate Base		Change from Base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority
5. Increase in ADP activities to maintain ongoing operations; those necessary to run the computer facilities, conduct cyclical operations, keep hardware, software and voice and data communications operating at current levels	--	$170,982,000	--	+$20,927,000
6. Increase in Disability State Agency costs, primarily salary and medical costs	--	746,000,000	--	+54,000,000
7. Higher space rental payments due to GSA rate increases	--	228,704,000	--	+8,340,000
Subtotal, built-in increases				+$208,338,000
Program:				
1. Increased workyears/ full-time equivalents (FTEs) consistent with processing higher workloads	63,452 (62,365)	$1,854,890,00	+1,014 (+510)	+$32,406,000

	1990 Current Estimate Base		Change from Base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority
2. Increase in training costs including travel, tuition and fees, which reflects recruitment and enhancement of employee skills	--	$5,941,000	--	+$7,167,000
3. Investment (above maintenance of current operations) in ADP/telecommunications to enhance performance and improve productivity	--	9,018,000	--	+39,073,000
4. Building services, including critical repairs deferred from FY 1990 . .	--	47,808,000	--	+22,502,000
5. Site preparation and modular furniture costs related to the agency modernization effort	--	1,800,000	--	+28,200,000
6. Site preparation costs related to office automation, telecommunication initiatives and environmental upgrades	--	4,740,000	--	+3,560,000
7. Services provided through the departmental Working Capital Fund and contracts with other Federal agencies	--	48,194,000	--	+8,133,000

	1990 Current Estimate Base		Change from Base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority
8. Medical and vocational consultant fee increases based on higher workloads	--	$29,639,000	--	+$2,963,000
9. Non-ADP supplies and materials, to restock inventories depleted in past years	--	18,820,000	--	+1,609,000
10. Non-ADP equipment purchases to replace worn out equipment which has become increasingly deteriorated due to budget constraints in recent years .	--	5,385,000	--	+6,833,000
11. Travel increases consistent with workload increases and other service-related travel .	--	18,242,000	--	+4,278,000
12. Increase in printing costs to replenish inventories of printed forms and to provide an adequate supply of current instructional/ procedural materials to SSA employees . .	--	17,780,000	--	+9,833,000

	1990 Current Estimate Base		Change from Base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority
13. Net, all other changes..........	--	--	--	+$2,560,000
Subtotal, program increases			+1,014 (+510)	+$169,117,000
Total, increases			+1,014 (+510)	+377,455,000
Decreases:				
B. Program:				
1. Unallocated contingency reserve	--	$97,870,000	--	-$47,870,000
Total, decreases	--	$97,870,000	--	-$47,870,000
Net Change . . .	--		+1,014 (+510)	+$329,585,000

Limitation on Administrative Expenses

Budget Authority by Activity
(Dollars in Thousands)

	1989 Actual	1990 Estimate	1991 Estimate
Old-Age and Survivors Insurance	$1,112,206	$1,129,997	$1,237,091
(Obligations)	($1,201,425)	($1,134,276)	($1,237,091)
Full-time equivalents . .	26,226	23,771	23,971
Disability Insurance . . .	$1,226,228	$1,251,120	$1,362,018
(Obligations)	($1,260,255)	($1,253,749)	($1,362,018)
Full-time equivalents . .	17,351	16,966	17,066
Health Insurance	$178,608	$168,412	$199,440
(Obligations)	($153,389)	($169,211)	($199,440)
Full-time equivalents . .	3,295	3,568	3,863
Supplemental Security Income	$1,100,913	$1,090,131	$1,212,602
(Obligations)	($1,026,624)	($1,090,131)	($1,212,602)
Full-time equivalents . .	15,204	16,572	16,500
Annual Reporting	$86,130	$70,261	$76,058
(Obligations)	($78,392)	($70,732)	($76,058)
Full-time equivalents . .	2,032	1,488	1,475
Construction	$29,370	$29,598	$29,765
(Obligations)	($29,177)	($29,976)	($29,765)
Unallocated Contingency Reserve	-0-	$97,870	$50,000
Total, Budget Authority . .	$3,733,455	$3,837,389	$4,166,974
(Obligations)	($3,749,262)	($3,748,075)	($4,116,974)
Full-time equivalents . .	64,108	62,365	62,875
(Rental Payments to GSA--Rent)	($211,070)	($228,704)	($237,044)
(ADP Telecommunications)			
(Budget Authority) . . .	($198,742)	($180,000)	($240,000)
(Obligations)	($225,055)	($188,178)	($240,000)

Limitation on Administrative Expenses

Budget Authority by Object

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Total number of full-time permanent positions	60,287	60,287	-0-
Total compensable workyears:			
Full-time equivalent employment	62,365	62,875	+510
Full-time equivalent of overtime and holiday hours .	1,087	1,591	+504
Average ES salary	$81,514	$93,379	+$11,865
Average GS grade	8.34	8.34	-0-
Average GS salary	$29,237	$30,937	+$1,700
Personnel Compensation:			
Permanent positions	$1,732,200,000	$1,851,294,000	+$119,094,000
Positions other than permanent	91,910,000	95,167,000	+3,257,000
Other personnel compensation	19,162,000	35,790,000	+16,628,000
Special personal service payments	34,683,000	34,700,000	+17,000
Subtotal, personnel compensation	$1,877,955,000	$2,016,951,000	+$138,996,000
Personnel benefits	342,469,000	360,950,000	+18,481,000
Travel and transportation of persons	17,080,000	24,282,000	+7,202,000
Transportation of things . . .	4,952,000	6,929,000	+1,977,000
Rent, communications and utilities:			
Rental payments to GSA (Rent)	228,704,000	237,044,000	+8,340,000
Communications, utilities and miscellaneous charges . . .	222,516,000	249,600,000	+27,084,000
Printing and reproduction . . .	17,780,000	27,613,000	+9,833,000
Other services	951,703,000	1,049,898,000	+98,195,000
(Payments to Disability State Agencies)	(746,000,000)	(800,000,000)	(+54,000,000)
Supplies and materials	25,320,000	26,629,000	+1,309,000
Equipment	8,629,000	66,808,000	+58,179,000
Lands and structures	14,423,000	21,891,000	+7,468,000
Grants, subsidies and contributions	1,638,000	1,950,000	+312,000
Insurance claims and indemnities	4,103,000	4,015,000	-88,000
Interest and dividends	22,247,000	22,414,000	+167,000
Unallocated contingency reserve	97,870,000	50,000,000	-47,870,000
Total, budget authority by object	$3,837,389,000	$4,166,974,000	+$329,585,000

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Conference Report	
Stabilize SSA Staffing	
Although House and Senate Conferees deleted Senate bill language which would have established a statutory requirement that the number of employees at SSA at the end of FY 1990 should not be reduced below the level in effect on September 30, 1989, they agreed that the amounts in the bill should be used to at least maintain current staffing levels; and, to the extent possible, to partially restore past reductions, particularly in field offices. The conferees directed the Department to take no action in FY 1990 which would lower end-of-year employment levels below the September 30, 1989 level.	SSA's budget plan is to use our limited 1990 resources to maintain service to the public. Our current plans call for 63,000 FTEs in 1991.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 House Report	
Stabilize SSA Staffing	
While the Committee supported downsizing in the past, it now feels that SSA staffing should be stabilized. The Committee directed the Department to take no action in FY 1990 which would lower end-of-year employment levels below the level in effect on September 30, 1989.	SSA's budget plan is to use our limited 1990 resources to maintain service to the public. Our current plans call for 63,000 FTEs in 1991.
Chronic Fatigue Syndrome	
The Committee expressed concern that persons afflicted with Chronic Fatigue Syndrome (CFS) continue to have difficulty in applying for and receiving Social Security disability benefits. The Committee directed SSA to communicate an awareness of CFS to all field office employees handling applications for disability insurance, and to update the guidelines for CFS by incorporating the latest medical knowledge about CFS including the clinical definition developed by the Centers for Disease Control (CDC).	Up to now, medical research has categorized CFS as a symptom complex, with scant, if any, physical findings. Adjudication of CFS claims makes use of a case-by-case evaluation which considers all the signs, symptoms, and laboratory findings pertaining to each individual. SSA is in contact with the CDC and is aware of their efforts to gather information about CFS. However, since the CDC definition referenced by the Committee is still a tentative definition for research purposes only, it would be inappropriate to adopt the definition and disseminate it to field offices. SSA will continue to track CDC, National Institutes of Health, and other CFS research to ensure that the guidelines for the evaluation of CFS reflect the latest medical knowledge.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report	
Stabilize SSA Staffing	
The Committee believes that further reductions in staffing must be stopped in order for SSA to provide consistently high quality service. It is the Committee's intent that the contingency reserve provided in the appropriation be made available to cover costs not anticipated in the budget request, such as higher workloads or future Federal pay raises. The Committee included bill language to impose a moratorium on further staffing cuts below the level at the start of FY 1990, and increased the budget request by $14 million to, at a minimum, maintain current staffing levels and to the extent possible, to partially restore past reductions, particularly in field offices.	SSA's budget plan is to use our limited 1990 resources to maintain service to the public. Our current plans call for 63,000 FTEs in 1991.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report	
"800" Number Service	
The Committee stated its commitment to SSA's retaining a field structure of approximately 1,300 local offices, as well as maintaining contact stations; and it believes the option of face-to-face quality service must remain available. The Committee expressed concern that the public must not continue to experience high busy signal rates and callers must receive consistently accurate information.	SSA agrees that "800" number service does not replace the need for a strong, viable network of local offices. The "800" number is considered an enhancement to local service since it can serve as an entry point for contact with the Agency. Appointments for the public to file claims can be made through the "800" number, and many simple inquiries and services can be provided through the number. Recent surveys indicate that nearly 80 percent of caller requests to the "800" number can be processed to completion. With high volumes of simple actions being handled through "800" number telephone service, local offices can better serve the people who choose face-to-face visits. Some problems with busy signal rates were experienced after nationwide "800" number service began on October 2, 1989. Commissioner King immediately took a number of steps to improve service including: overtime hours and extended hours for part-time employees were made available; authority to hire 165 teleservice representatives was given; a new backup answering unit was established in Chicago on January 2, 1990; intercept messages directing calls to the "800" number were removed in some local offices; and staffing and routing of calls were analyzed on an hour-by-hour basis to maximize call answering capability.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report "800" Number Service (continued from prior page)	In October 1989, SSA began a national assessment program to evaluate the ongoing accuracy of "800" number service. This new review program measures the quality and courtesy of the new service on a continuing basis. In addition, regular caller recontact surveys are conducted to assess public satisfaction with the "800" number. SSA is continuing to evaluate all factors of "800" number service including the assignment of staff to insure the most effective utilization of resources. Hour-by-hour staffing is matched with nationwide call volumes to maximize the service provided to the public.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report	
Service to the Public	
The Committee requested SSA to continue to submit its semiannual report on the "Levels of Service Provided to Social Security Beneficiaries and the Public in General" to the House and Senate Appropriations Committees, and to add data addressing access to and accuracy of telephone service.	SSA will prepare semiannual reports in March and September 1990 and will add data addressing access to and accuracy of its telephone service.
Plan of SSA's Immediate Short-Term and Long-Range Plans for Computer Modernization and ADP Expenditures	
The Committee expressed concern that the report submitted by SSA last year lacked sufficient detailed information to meet the Committee's needs. The Committee has requested that SSA submit a more detailed report by January 15, 1990, to help the Committee in its deliberations on the 1991 appropriations bill.	SSA is preparing a more detailed report to address the Committee's concerns. A letter was sent to the Committee by the Assistant Secretary for Management and Budget to advise the Committee that the report would be submitted at the end of February 1990.
Backlog of Disability Appeals Cases in Region VII	
The Committee directed SSA to continue to provide additional temporary personnel, and increases as necessary, to eliminate a backlog of appeals of disability claims in SSA hearing offices within Region VII.	SSA is continuing to monitor the backlog of appeals in Region VII, and we continue to do the best job we can with available resources. We have requested funding in 1991 to address the Committee's concerns.

Limitation on Administrative Expenses

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or To Be Taken
FY 1990 Senate Report	
Social Security Number (SSN) Verifications	
The Committee concurs in the SSA decision to end SSA's practice of performing negative SSN verifications for credit and financial organizations and instructs the Agency to notify the Committee prior to implementation of any change in this policy.	On April 13, 1989, SSA announced a permanent moratorium on providing negative SSN verifications for private businesses. SSA will notify the Committee if there is any change in this policy.
Chronic Fatigue Syndrome	
The Committee expressed concern that persons afflicted with Chronic Fatigue Syndrome (CFS) continue to have difficulty in applying for and receiving Social Security disability benefits. The Committee directed SSA to communicate an awareness of CFS to all field office employees handling applications for disability insurance, and to update the guidelines for CFS by incorporating the latest medical knowledge about CFS, including the clinical definition developed by the Centers for Disease Control (CDC).	Up to now, medical research has categorized CFS as a symptom complex, with scant, if any, physical findings. Adjudication of CFS claims makes use of a case-by-case evaluation which considers all the signs, symptoms, and laboratory findings pertaining to each individual. SSA is in contact with the CDC and is aware of their efforts to gather information about CFS. However, since the CDC definition referenced by the Committee is still a tentative definition for research purposes only, it would be inappropriate to adopt the definition and disseminate it to field offices. SSA will continue to track CDC, National Institutes of Health, and other CFS research to ensure that the guidelines for the evaluation of CFS reflect the latest medical knowledge.

Limitation on Administrative Expenses

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Title II, Section 201(g)(1) of the Social Security Act . .	Indefinite	$3,837,389,000	Indefinite	$4,166,974,000

Limitation on Administrative Expenses

Appropriation History Table

Fiscal Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1982	$3,060,838,400	$3,131,000,000	$3,131,000,000	$3,131,000,000
1983	$3,511,885,000	$3,511,885,000	$3,511,885,000	$3,511,885,000
1984	$3,723,317,000	$3,718,303,000	$3,723,317,000	$3,718,303,000
1985	$3,724,515,000	$3,784,415,000	$3,790,515,000	$3,787,515,000
1985 Supplemental	-$9,176,000 1/			
1986 2/	$3,992,486,000	$4,022,486,000	$3,992,486,000	$3,992,486,000
1986 Sequester Order				-$144,043,000
1987	$4,011,373,000	$4,000,373,000	$4,011,373,000	$3,840,000,000
1988	$3,805,121,000	$3,680,921,000	$3,680,921,000	$3,524,114,000 3/
1989	$3,775,661,000	$3,705,000,000	$3,820,000,000	$3,750,113,000 4/
1990	$3,833,389,000	$3,833,389,000	$3,847,389,000	$3,837,389,000
1991	$4,166,974,000			

1/ A negative supplemental was proposed in FY 1985 for reductions in travel, consultant services, printing and public affairs activities as required by section 2901 of the Deficit Reduction Act of 1984.

2/ The FY 1986 appropriation included $266,000 for consulting and related services which was unavailable for obligation under section 515 of the FY 1986 Treasury Appropriations bill, as incorporated by the Continuing Resolution for FY 1986 (Public Law 99-190). The FY 1986 estimate to Congress also included a budget amendment for $80,900,000 to fund current law requirements for Federal civilian pay.

3/ The FY 1988 appropriation included $6,682,000 for travel and transportation which was unavailable for obligation under section 512 of the Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, FY 1988 (Public Law 100-202).

4/ The $3,795,661,000 included in the language for the limitation account for FY 1989 was reduced by 1.2 percent in accordance with section 517 of the Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 1989 (Public Law 100-436).

Limitation on Administrative Expenses

Justification

	1990 1/ Current Estimate	1991 Estimate	Increase or Decrease
Limitation on Administrative Expenses (LAE):			
Budget authority . . .	$3,837,389,000	$4,166,974,000	+$329,585,000
(Obligations)	($3,748,075,000)	($4,116,974,000)	(+$368,899,000)
Full-time equivalents .	62,365	62,875	+510
Workyears	63,452	64,466	+1,014

General Statement

SSA Goals and Objectives

Social Security has been vested with an enormous public trust. SSA has a direct and important effect on the lives and well-being of millions of Americans. People look to SSA to provide financial support in their retirement years and to protect against the financial hardship that can accompany a physical disability or the premature death of the household breadwinner. Also, economically-disadvantaged elderly and disabled people look to SSA for basic, minimum financial assistance. SSA's role is unique; the people we serve can go nowhere else to meet these needs. SSA must ensure that every American gets the service from this agency that they deserve.

To this end, SSA's budget request supports the three primary goals of the Social Security Administration:

- To serve the public with compassion, courtesy, consideration, efficiency and accuracy;

- To protect and maintain the American people's investment in the Social Security trust funds and to instill public confidence in SSA programs; and

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1/ FY 1990 estimates of full-time equivalents (FTEs) and workyears have been adjusted for comparability (-135 FTEs/workyears) to the FY 1991 request, which excludes FTEs for SSA-related functions of the Department of Health and Human Services (HHS) Assistant Secretary for Personnel Administration (ASPER). In FY 1991 these functions will be funded through the Department's Working Capital Fund (WCF). Dollars to support them will continue to be included in the LAE account; but, beginning with FY 1991, the FTEs will be included in the Department's WCF account. (For comparability purposes in this document, dollars for ASPER will be shown with LAE WCF expenses in both FY 1990 and FY 1991.) The LAE FTE numbers for FY 1990 and FY 1991 would be 62,500 and 63,007, respectively, if the ASPER functions were continued in this account.

- To create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission.

These goals encompass the following objectives:

Serving the Public

- Pay benefits promptly and accurately.
- Make SSA service as convenient as possible by providing options for service delivery, including continued access to face-to-face service.
- Promote fairness, equity and responsiveness.
- Pursue aggressive outreach activities to enroll all potential beneficiaries, and provide appropriate referrals to related agencies and services.
- Use the most efficient methods and technology, and identify ways to further improve SSA's people-to-people service.
- Strengthen SSA's relationships with the States.

Protecting the Trust Funds

- Assure that the trust funds are available for beneficiaries of the future.
- Maintain each person's recorded earnings accurately and protect the integrity of all information SSA holds.
- Provide public information for workers and their families to make them aware of their protection under Social Security programs and the role of Social Security in their financial future.

Improving the Work Environment for SSA Employees

- Assure that the workforce has the stability, resources, leadership, training and modern tools to do its job in an efficient, dedicated and caring way.
- Recognize and reward employees' contributions, and provide a variety of opportunities for career development.
- Promote strong, two-way communication between managers and other employees.
- Demonstrate an unwavering commitment to equal opportunity.

Size and Scope of Programs Administered

The Social Security Administration's (SSA's) primary responsibility is to administer the Nation's major income security programs. The limitation on administrative expenses (LAE) account finances from the Social Security trust funds most of SSA's administrative costs. It provides resources for SSA to administer the Social Security programs of old-age, survivors and disability insurance, certain health insurance functions and the supplemental security income (SSI) program for the aged, blind and disabled. Funds for annual reporting of earnings, trust fund construction and certain activities related to pension reform also are included, as well as automated data processing (ADP) and telecommunications expenses. Administrative expenses of the SSI program and of those pension reform activities that are appropriately charged to Federal funds are reimbursed to the trust funds from the Supplemental Security Income account and the Payments to Social Security Trust Funds account, respectively.

The following table shows estimated benefit outlays and beneficiaries for FY 1991, under current law, for the major programs administered through this account:

	FY 1991 Estimate Under Current Law	
Programs	Federal Benefit Outlays ($ in billions)	Average Number of Beneficiaries Paid (in millions)
Old-age and survivors insurance . .	$233.5	35.8
Disability insurance	$25.5	4.2
Supplemental security income . . .	$13.2	4.7

SSI beneficiaries include 384,000 recipients of federally-administered State supplementation payments who do not receive any of the basic Federal benefit.

Comparison of Administrative Costs with Present Law Income and Benefits

The principal source of income to the trust funds for the Social Security old-age, survivors, and disability insurance (OASDI) and health insurance programs is the Social Security tax on employees, employers and self-employed persons.

The total administrative costs of the Social Security trust fund programs include:

- Administrative expenses for Social Security Administration components, costs for the Disability State Agencies, and expenses associated with certain administrative and personnel functions of the Department of Health and Human Services.

- Construction and facilities maintenance costs.

- ADP, telecommunications and telephone systems costs.

- A share of costs associated with departmental management of the Social Security Administration, including legal functions and civil rights and Inspector General activities.

- Social Security-related work performed by other Federal agencies such as the Treasury Department, which issues Social Security checks.

As indicated in the table below, the total FY 1991 administrative cost for the OASDI programs is estimated to be 0.8 percent of anticipated contribution income to the OASI and DI Trust Funds under current law and 1.0 percent of estimated benefit payments.

Administrative Expenses as a Percentage of Trust Fund Contribution Income and Benefit Payments - Fiscal Year 1991

Trust Fund	Percent of Income	Percent of Benefit Payments
Old-age and survivors insurance . .	0.6%	0.8%
Disability insurance	2.7%	3.2%
Total, Social Security trust fund programs	0.8%	1.0%

Supplemental Security Income Program

The cost of administering the supplemental security income program is initially paid from this trust fund account. The trust funds subsequently are reimbursed from the Supplemental Security Income appropriation, because this program ultimately is financed entirely from the general funds of the Treasury. The FY 1991 administrative costs of this program are forecast at 7.3 percent of benefit payments (including State supplemental benefit payments administered by SSA). In many cases, SSI benefits supplement other income. Since monthly SSI payments are both "means-tested" and on average much lower than OASI and DI payments, the administrative cost-to-program payments ratio is higher than that for Social Security programs.

Key Elements of SSA's Administrative Budget Request

The request of $4,166,974,000 for this account represents current law requirements. No proposed law amounts are included.

Over the past 6 years this Agency has undergone a dramatic downsizing, at the same time that public demand for services has increased and new technology has been implemented to help meet those demands. During this period, SSA has been able to meet the demands of growing beneficiary and worker populations and improve its service delivery only through the loyalty and dedication of its staff, supported by automation and management improvements.

The employment reductions and productivity improvements at SSA over the last 6 years (through FY 1990) have saved the Government almost $2 billion and continue to save about $600 million annually. We have reached a point where it is essential to stabilize employment at SSA, create an optimum work environment in which our employees can serve the public efficiently and with compassion, build on recent service improvements in order to be able to serve a growing beneficiary population, enhance our partnership with the States, and strengthen the automated systems on which SSA service delivery depends.

SSA's FY 1991 administrative budget request recognizes the need for fiscal restraint as well as the need to serve our beneficiaries. It is a budget which reflects continuing productivity improvement and initiatives to control spending and find more efficient ways to process the Agency's work. It is a budget which:

- Stabilizes SSA employment at the level needed to support about 63,000 FTEs. A period of stability and recovery is called for, during which we can improve employee working conditions and enhance training, promotional opportunities and morale, while maintaining or improving present levels of service. SSA's business is serving people. Funding to support adequate employment is essential to this mission.

- Funds the Disability State Agencies at the level needed to keep current with expected disability workloads, pay for required medical evidence, and invest in service improvements.

- Restores funding for other objects of expense, which have been severely cut in recent years. Many of these costs are for basic materiel support requirements, such as rent, building maintenance, postage, printing, supplies and equipment. Also included are funds to insure that SSA employees are adequately trained and have safe and comfortable work environments.

- Maintains current automated data processing and telecommunications systems, and expands them as necessary to keep pace with growing workloads and service demands. SSA's service delivery will continue to depend on reliable, efficient computer and telecommunications support.

Employment

A. Positions, FTEs and Workyears

A summary of SSA's full-time equivalent (FTE) and workyear estimates and associated employment needs is shown in the following table. FTEs measure the cumulative workyears of effort during the fiscal year by full-time, part-time and temporary employees subject to employment ceilings who are working on regular time. Total workyears include FTEs, overtime, and nonceiling workyears associated with summer aids and other special program employees.

The limitation on administrative expenses (LAE) covers trust fund and SSI program needs. "All programs" includes LAE as well as black lung and reimbursable work, including buildings management functions delegated to SSA from the General Services Administration (GSA). The FY 1989 and FY 1990 numbers have been adjusted for comparability to the FY 1991 budget request (-513 FTEs/-470 positions in FY 1989 for transfer of disability litigation functions of the Office of the General Counsel from the LAE account to the Office of the Secretary budget in FY 1990, and for transfer of SSA-related personnel functions to the Department's Working Capital Fund in FY 1991; and -135 FTEs/-134 positions in FY 1990 related to the transfer of personnel functions in FY 1991).

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
FTEs			
LAE only	64,108	62,365	62,875
All programs	64,707	63,089	63,599
Total workyears			
LAE only	65,798	63,452	64,466
All programs	66,418	64,215	65,229
Full-time permanent positions filled end-of-year			
LAE only	60,079	60,287	60,287
All programs	60,661	61,000	61,000

FY 1990 is the last year of a long-term plan to reduce LAE FTEs by about 17,000 (21.3 percent) from the FY 1984 level (79,951 FTEs). The original FTE target has been adjusted to reflect several functional transfers and to allow for new work related to Medicare Part B appeals, which were not anticipated in the original FTE plan. The bottom line was a target level of about 63,000 FTEs. SSA's LAE request for 62,875 FTEs in FY 1991 is consistent with the Agency's plan to stabilize employment at this level.

However, current estimates of LAE FTEs for FY 1990 are about 500 below this level and the level in the FY 1990 President's budget. This is the result of the hiring freeze instituted early in the fiscal year to deal with funding restrictions. SSA plans to lift the freeze during FY 1990 and staff up to the level of employment needed to stabilize at about 63,000 FTEs.

B. Workyear Requirements

The following table summarizes total LAE workyears for FY 1989 through FY 1991. (FY 1989 and FY 1990 are adjusted for comparability to FY 1991):

		FY 1990		
	FY 1989	President's Budget	Current Estimate	FY 1991
LAE Workyears	65,798	63,776	63,452	64,466

SSA's estimates of workyear requirements for FY 1990 and FY 1991 are built upon past workload experience and the time it took to process each unit of work. Projections of future workyear needs take into account the volume

- Representative payee activity ongoing workloads for full annual accountings for each beneficiary, which were resumed in May 1988 under the Jordan court decision. Also, within the resources requested, SSA is expanding its efforts, both internally and with outside organizations, to find the best possible representative payees for our beneficiaries who need help handling their benefit payments.

- An increase in the number of earnings items posted based on projected economic and demographic trends.

- Social Security number (SSN) workloads peaked in FY 1988 (at a volume of more than 23 million) due to the effects of the Tax Reform Act of 1986 (which calls for enumeration of dependents age 5 and over for income tax purposes) and the Immigration Reform and Control Act of 1986. SSN workloads have decreased from that level, but will continue to reflect the effects of immigration reform legislation as well as 1988 legislation regarding enumeration of dependents age 2 and older.

SSA's LAE workyear and FTE request for FY 1991 is based on our best estimates of the level of resources which will be needed to process expected workloads and continue the Agency's commitment to deliver the best possible service to the public. The budget also reflects continuing improvements in the way we do our work and deliver service.

The budget estimates include savings of 1,396 workyears in FY 1990 and an additional 363 workyears in FY 1991 from management, procedural and systems initiatives. Other factors which affect year-to-year changes in workyear needs are changes in workload counts, Agency policy decisions and special initiatives, training, and changes in staff functions and other functions not directly associated with but needed to support direct processing, such as case control and supervision.

The most significant single item of savings is the phased implementation of the Modernized Claims System for Social Security claims. Through FY 1990 this initiative is estimated to have achieved annual savings of about 3,300 workyears. More than 25,000 new terminals, as well as other systems equipment, have been installed in SSA's field offices and teleservice centers. The new system provides online data gathering and data entry, automated processing and better control of claims. It also provides more data to employees, allowing for direct and immediate response to claimant inquiries.

Other management, procedural and systems improvements which will result in workyear savings during FY 1990 and FY 1991 include:

- Office automation and streamlining of the field office work measurement system;

  Direct entry and edit correction capability for processing center benefit authorizers through an online interactive system able to identify inconsistencies in information as it is input into the Master Beneficiary Record;

of work SSA is expected to process and various factors which will affect the time it takes to process the work, including management and procedural changes and automation improvements.

Beneficiary and workload projections developed by SSA's actuaries and statisticians are the key indicators which influence the amount of work SSA can expect. Based on actuarial and statistical projections, SSA has developed estimates of workloads it expects to process in FY 1990 and FY 1991. Estimates of beneficiaries in current payment status and of SSA's major processed workloads are provided below:

	FY 1990 Estimate	FY 1991 Estimate
Beneficiaries in Payment Status		
OASI	35,207,000	35,797,000
DI	4,147,000	4,206,000
SSI (including beneficiaries of federally-administered State supplementation only) .	4,605,000	4,666,000
Processed Workloads		
OASI Claims	3,158,100	3,161,300
DI Claims	1,392,700	1,422,300
SSI Claims	1,318,000	1,359,400
Hearings	312,700	338,700
Representative Payee Activity .	5,558,800	5,581,600
SSI Redeterminations	1,923,800	2,259,500
Annual Earnings Items	251,540,000	256,090,000
Overpayment Decisions	1,716,300	2,044,100
Social Security Number Record Maintenance	18,005,300	15,691,000

The workload estimates reflect the following trends and initiatives:

- Normal year-to-year growth in numbers of beneficiaries and claims due to demographic factors.

- Growth in the numbers of SSI beneficiaries and claims due to outreach activities directed toward children, as mandated by Section 8008 of the Omnibus Budget Reconciliation Act of 1989.

- Growth in the number of hearings processed, to keep pace with the growing number of hearing receipts and to reduce the number of hearings pending. SSA's budget includes resources needed to continue processing Part A and Part B Medicare appeals.

- Improvements in SSA's Office of Hearings and Appeals resulting from implementing changes such as the supplementary medical insurance hearing and class action processing center, clerical processing centers, personal computers and specialized training of professional field staff.

Major improvements in productivity and services have been accomplished through SSA's ongoing management initiatives and by reducing or eliminating manual processes through the use of automated data processing and modernized telecommunications systems. Accordingly, an agency that once relied on a very large workforce, now has a smaller, more efficient workforce that relies increasingly on modern technology to deliver quality public service.

C. Mix of Overtime and FTEs

SSA relies on a mix of FTEs, nonceiling employment (principally summer youth employment) and overtime to achieve its overall workyear needs. The following table shows how SSA plans to achieve its workyear needs for all programs (LAE, black lung and reimbursable) in FY 1990 and FY 1991. These plans are compared to FY 1989 actual experience. (FY 1989 and FY 1990 estimates have been adjusted for functional transfers to be comparable to the FY 1991 request.)

	Workyears (All Programs)					
	FY 1989		FY 1990		FY 1991	
Type	Actual	Percent of Total	Estimate	Percent of Total	Estimate	Percent of Total
FTEs . . .	64,707	97.4%	63,089	98.3%	63,599	97.5%
Nonceiling workyears	713	1.1%	462	0.7%	462	0.7%
Overtime . .	998	1.5%	664	1.0%	1,168	1.8%
Total . .	66,418	100.0%	64,215	100.0%	65,229	100.0%

Consistent with ongoing productivity improvements and the long-term FTE reduction plan, SSA's estimated FTEs and workyears decrease from the FY 1989 level. SSA's estimate of 63,599 FTEs (all programs) in FY 1991 is consistent with the Agency's plan to stabilize employment at a level of about 63,000 FTEs for the LAE account. FY 1990 FTEs are below this level due to FY 1990 funding limitations. Nevertheless, the budget plan assumes that about 98 percent of SSA's workyears in FY 1990 and FY 1991 will be derived from full-time equivalent employment on regular time.

Like FTEs, SSA will use fewer overtime workyears in FY 1990 than in FY 1989 or FY 1991. Overtime is appropriate and necessary to help handle one-time, seasonal, or peaking workloads such as annual reports of earnings and SSI redeterminations. Actual overtime worked in FY 1989 was about 1,000 workyears, or 1.5 percent of total workyears. The budget for FY 1991 calls for an overtime rate of about 1.8 percent of total workyears, consistent with actual experience in recent years.

Information Technology Systems (ITS)

The budget request for the limitation account includes amounts shown in the following table for lease and purchase of automated data processing (ADP) and telecommunications hardware and software, supplies, and contractual services (excluding SSA personnel costs). This is known as the Information Technology Systems (ITS) budget. The amounts shown include the costs of major telephone system procurements; costs for lease, usage and maintenance of telephone systems; systems modernization costs and ongoing system costs. The table shows new budget authority requested and estimated obligations for ITS activities for FY 1989 through FY 1991 for the limitation account.

ADP/Telecommunications Budget
($ in thousands)

	FY 1989 Actual	FY 1990 Current Estimate	FY 1991 Estimate
New Budget Authority (BA)			
Appropriation	$198,472	$180,000	$240,000
Unobligated balances carried forward:			
--from FY 1988 to FY 1989 . .	+4,756	---	---
--from FY 1989 to FY 1990 . .	-3,178	+3,178	---
Recoveries of prior years' obligations . .	+25,005	+5,000	---
Total Obligations	$225,055	$188,178	$240,000
(ADP/telecommunications) .	($141,504)	($95,600)	($133,490)
(Major telephone systems) .	($83,551)	($92,578)	($106,510)

The ITS budget funds systems and telecommunications activities which are an integral part of SSA's service delivery structure. It provides SSA employees with the tools of modern technology needed to provide service to our clients and make our operation work on a day-to-day basis. SSA's service delivery depends on reliable, efficient computer and telecommunications support for our employees. The automation achieved so far, including software enhancements and 25,000 terminals to access the software, means that good service is now more dependent than ever on systems support. Adequate ITS funding is essential for ongoing operations, and for SSA to become fully automated, maximize efficiency and continue service improvements.

FY 1988 was the last year in which special language was included in the LAE appropriation to make ITS funds available until expended. Beginning with FY 1989, ITS expenses are funded on an annual basis like the balance of the LAE account. Thus, no funds can be carried over into future years from ITS monies appropriated after FY 1988. FY 1989 obligations shown in the table reflect favorable congressional action to remove the ITS "cap" in LAE appropriations language, which gave SSA needed flexibility in the LAE account to fund essential hardware capacity increases and software improvements.

Some of the major ITS accomplishments of FY 1989 were:

- As of the end of November 1988, all Social Security district and branch offices and teleservice centers had received their new terminals and were linked to the Modernized Claims System. The modernized software now in use allows SSA staff to enter information directly into the system during the title II claims interview, gives immediate and accurate information on the status of claims development, and provides more data to employees for direct response to claimant or beneficiary inquiries. New software scheduled for release in the near future will modernize the software for eligibility and payment determinations, online benefit computations, and postentitlement actions.

- SSA's toll-free "800" number telephone service went nationwide in October 1989. This service was initiated in October 1988 to about 60 percent of the population. The "800" number is answered in 37 teleservice centers across the nation, including three new "mega-teleservice centers" located in Baltimore, Maryland; Albuquerque, New Mexico; and Auburn, Washington. Establishing the three new sites and expanding the teleservice center in Birmingham, Alabama, including installation of computer terminals with access to SSA's central data base for each teleservice representative, was a major undertaking; and it is still going through some growing pains. However, the volume of calls we have been receiving confirms its success. The "800" number service is a significant improvement in the way SSA provides service to the public. It eliminates toll-calling, extends SSA's service hours, provides a more responsive system through SSA's purchase of automatic call distribution equipment, and provides a convenient service option to the American public.

- SSA exercised its option to obtain 5,000 additional terminals for use with the Modernized Claims System. These additional terminals will increase the terminal-to-employee ratio in SSA's field offices.

- During FY 1989 SSA increased its computer capacity and its direct access data storage capacity. The new equipment supports telecommunications workloads, the Modernized Claims System, expansion of the "800" number, and the phasing-in of new software. These acquisitions are an interim step, to relieve strain on existing capacity, improve response times, meet SSA's current capacity needs, and keep pace with growing data storage requirements.

- By the end of January 1989, SSA had completed the Automatic Earnings Reappraisal Operation (AERO) for 1987 earnings, to increase benefit checks for Social Security beneficiaries whose additional earnings entitle them to a higher payment amount. About 2.2 million beneficiaries received an average increase of more than $12 per month and average retroactive payments of $187 in their March 3, 1989 benefit checks.

- On July 28, 1989 SSA completed the bulk of the postings for the tax year 1988 Annual Wage Reporting (AWR) process, consistent with the record performance of the prior year. Since tax year 1978, SSA has reduced its AWR posting time by 87 percent.

- SSA awarded two contracts for equipment and training to support SSA's STAR (Special Terminals and Adaptive Resources) project, to permit visually impaired employees to use SSA's computer system. Equipment will include voice output software or screen text magnification software for use with personal computers; Braille output devices and large screen monitors; special software packages; and Braille or diskette versions of the hardware and software manuals.

- SSA has made great strides in office automation. In March 1989 the Agency began putting local area networks in headquarters and at selected sites throughout the country. In August 1989 SSA completed installation of and training for a nationwide electronic mail system that connects more than 2,000 SSA sites. This system enables users throughout SSA to send and receive selected types of electronic information (e.g., documents, spreadsheets, etc.,) within minutes instead of days. In September 1989 a contract was awarded to purchase up to 8,080 additional personal computer workstations, which will reduce manual, labor-intensive paper processes throughout the Agency, and help SSA deal with continued growth in administrative workloads.

- SSA established the first direct electronic data linkage with the Railroad Retirement Board. In the past, the two agencies had relied on mail and courier services to exchange data.

In FY 1990, SSA's ITS plans are limited by available funds. Because of this, SSA's current estimate for ITS activities for FY 1990 is less than the $203 million included in the FY 1990 President's budget. This means that only about $17 million is available for new ITS investments in FY 1990, after mandatory costs of $171 million are covered.

SSA is developing ITS plans which will address four general systems objectives, consistent with the overall Agency goals and objectives. We are working on a report, requested by the Senate Appropriations Committee, which will describe SSA's preliminary systems plans for the 5 year period, FY 1991-FY 1995, in terms of these goals and objectives. The FY 1991 budget request provides an ITS funding level which will enable SSA, after mandatory costs are funded, to address several critical systems problems we now face, within the limited funds available. These key systems problems are categorized according to SSA's broader objectives and are described below, including amounts budgeted for each in FY 1991:

- Maintain Current Levels of Service -- $191.9 million

  This objective encompasses those activities necessary to run the computer facilities, conduct cyclical operations, and keep hardware, software and voice and data communications running at current levels (including monthly telephone bills). ITS costs to maintain current operations are increasing as automation throughout the Agency expands. We estimate that these ITS costs will grow to about $191.9 million in FY 1991, leaving approximately $48.1 million for discretionary projects.

- Improve Efficiency and Accuracy in Service to the Public -- $20.3 million

  This objective provides the technological foundation for SSA's future service delivery, including improvements for the "800" number telephone network. More immediately under this objective, SSA will address the following critical problems:

  - Improve programmatic software flexibility. As exemplified in our current experience with the recent repeal of catastrophic health insurance (which will require several months of a crash programming effort in order to correct monthly Medicare premium deductions for Social Security beneficiaries), SSA needs to build on software improvements already achieved, to develop more responsive software systems. The FY 1991 ITS budget includes $8.8 million for software support contracts, which will complement software development by SSA's systems staff. Continued software enhancements will make SSA's systems more responsive to external changes.

  - Ensure adequate capacity to meet growing workloads. SSA faces substantially increased transaction volumes because of anticipated growth in the beneficiary rolls. SSA's ability to handle increasing workloads and online transactions without deterioration in service is directly dependent on having sufficient computer capacity. Unless we have the processing, storage and communications capacity to handle this growth, SSA will not be able to maintain current levels of service to the public. The FY 1991 request includes a total of $10.2 million for computer capacity and related disk capacity increases.

  - Additional resources will be required to improve management of the "800" number telephone network, and add lines and stations to stabilize "800" number service in light of increases in demand. ($1.3 million)

- Protect the Trust Funds -- $10.6 million

  This objective assures that there will be adequate security for SSA's physical and data systems resources. This includes back-up and recovery for SSA's systems operations, modernization of the Agency's financial and administrative systems, and strengthening overall management of SSA's modernization effort to ensure the integrity of the trust funds and SSA's systems.

  - The budget includes $0.5 million in FY 1991 to explore development of a site for back-up of SSA's online systems (in addition to funds budgeted for current back-up and recovery plans for processing high priority batch workloads). Online back-up is needed because of SSA's increasing reliance on online service.

  - SSA's current environment for financial, acquisition and logistical support functions consists of numerous independent systems, most of which are batch oriented and date from the 1970's. To remedy the problems created by this assortment of outdated and unintegrated administrative systems, the FY 1991 request includes $3.1 million for the phased implementation of a new core accounting system.

- The budget also includes $7.0 million for contracts for reviews of SSA's financial and control systems and for expert advice on technology and methodologies to ensure systems that will protect the integrity of the trust funds to the greatest extent possible.

- Provide Technological Resources and Tools to Support and Enhance the Work Environment and Improve Employee Performance -- $17.2 million

  SSA employees do not have all of the materiel support and automated tools they need to do their jobs in the most effective and efficient manner. Over the last 5 years, SSA has made substantial progress in modernizing its programmatic systems. Little progress has been made, however, in modernizing and improving the flexibility of the Agency's administrative and management information systems. The FY 1991 ITS request includes a total of $17.2 million for:

  - Investments in office automation and management information, to give SSA managers and employees the tools they need to do their jobs effectively and serve the public more efficiently;
  - Specialized equipment for certain employees, such as systems developers and handicapped employees, to enhance their performance;
  - Additional terminals for the Modernized Claims System, to increase the terminal-to-user ratio as new software is added and greater numbers of SSA employees require access to computer terminals at their desks; and
  - Critical telephone system improvements, including replacement of outdated and worn out equipment in SSA field offices and processing centers to modernize their phone systems and provide needed enhancements to improve service; and upgrade of the headquarters telephone system.

Budget for Disability State Agencies

Disability State Agencies make disability determinations and handle face-to-face reconsiderations on behalf of the Department of Health and Human Services The budget for the Disability State Agencies is summarized in the following table:

	FY 1989 Actual	FY 1990	FY 1991
Dollars	$746,206,900	$746,000,000	$800,000,000
Workyears	11,634	11,100	11,296
Total workload	2,495,356	2,398,000	2,474,000

The Disability State Agency budget reflects the following key assumptions:

- Continued improvement in the production rate, from an average of 215 cases per [illegible] in FY 1989 to 216 cases in FY 1990 and 219 cases in FY 1991.
- Medi[illegible] increase, primarily due to projected increases in the unit cost [illegible] examinations and an expected increase in the rate of

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purchase of medical evidence of record (MER) in FY 1991. The increase in the MER rate in FY 1991 is attributable to court decisions which require the State agencies to request medical assessments from all treating and consulting physicians from whom evidence is obtained.

- In FY 1991 SSA will invest $14 million for ADP equipment and services for the State agencies. This will fund ongoing maintenance of current, limited systems ($6 million) as well as additional terminals, systems and software upgrades to reduce clerical work, eliminate repetitive wordprocessing and keying actions, and aid in streamlining the claims process. In recent years the State agencies have improved productivity and quality with little relief in terms of automation. We need to provide them with the automated tools they need to absorb future workload growth and further improve productivity and quality.

- State average salary costs for FY 1991 are based on an estimated 4.0 percent increase in State average salaries over the FY 1990 level, related to cost-of-living and other average salary changes.

- Indirect costs for State support services are based on a percentage of direct costs (salaries) in most States. The indirect rates for FY 1990 and FY 1991 are based on experience in FY 1989.

Other Information for the Attention of the Committee

A. SSI Outreach Activities

President Bush has called on all Americans to open up their hearts to the disadvantaged members of our society. Specifically, he challenged all government agencies to break down the barriers to services and opportunities available to them. SSA is especially concerned about ensuring that all people potentially eligible for SSI are aware of the benefits and services available through this program, and has initiated, in FY 1990, an outreach program through its field office structure. SSA estimates that the new outreach efforts directed toward children, as mandated by Section 8008 of the Omnibus Budget Reconciliation Act of 1989, will result in more than 27,000 new SSI claims at a cost of 100 workyears and $10 million in administrative costs, including costs for State Disability Determination Services.

In the House and Senate Conference Report accompanying the FY 1990 appropriations bill for the Department of Health and Human Services, the conferees earmarked funds (in the SSI appropriation for research and demonstration projects) to be used for new outreach projects aimed particularly at elderly people who might be eligible for SSI. SSA will use these funds to bring in advocacy groups and community organizations, as well as State and local agencies, to expand SSI outreach efforts.

The focus of outreach efforts will be on specific audiences such as the elderly, the homeless and disabled children, and targeting factors such as language, ethnic background, or type of disability. Activities include media campaigns, special mailings, forums and symposia for advocates. The key SSI outreach efforts focus on working through community organizations, including public agencies such as Area Agencies on Aging, as well as private groups. Field offices will renew efforts to build partnerships in order to identify potential eligibles, create a positive understanding of the program, and facilitate the application process. Field offices will train organizations in program fundamentals, work with the media, and be widely active in the community to achieve effective outreach.

Special outreach efforts directed at the homeless include local field offices appointing a "homeless coordinator" from the staff to serve as liaison with service providers and other government agencies. Local offices maintain resource and referral guides to ensure that the latest information concerning resources and services is available to the homeless. Additionally, SSA central office highlights for field office management successful public and private initiatives around the country that assist the homeless.

SSA is working internally to improve the process of applying for SSI benefits, providing more assistance to applicants and alternatives to current application procedures.

B. Representative Payee Activity

Within the resources requested, SSA is expanding its efforts to find the best possible representative payees for our beneficiaries who need help handling their benefit payments. In May 1988, SSA resumed, under the Jordan court decision, conducting a full annual representative payee accounting for each beneficiary. Additionally, SSA has undertaken the following initiatives to improve representative payee selection and accounting policies:

- Improving representative payee application and selection policies to elicit additional information about the applicant and his/her relationship to the beneficiary. This information will be verifiable and will provide a better indication of the payee applicant's potential performance.

- Expanding and improving the oversight of volume payees who serve multiple nonrelated beneficiaries.

- Developing and implementing revised annual representative payee accounting forms to provide increased protection to beneficiaries.

- Working with the National Criminal Justice Association to conduct pilot projects in 10 States to obtain access to criminal records.

- Developing an aggressive outreach program at both the national and local levels to maintain a cadre of qualified and caring representative payees of last resort.

SSA is firmly resolved to do all that is necessary to assure that well-qualified payees are promptly selected; that payees act in the best interests of the beneficiaries; and that the rights of beneficiaries who need payees are fully protected.

C. Roll Back of the Catastrophic Health Insurance Premium

The Medicare Catastrophic Coverage Repeal Act of 1989 (P.L. 101-234) repeals many provisions of the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) effective January 1, 1990. Among other changes, this legislation eliminates the monthly catastrophic coverage premium and adjusts the supplementary medical insurance premium, both of which generally are deducted from monthly Social Security checks.

The repeal became law on December 14, 1989. Even with maximum acceleration of the programming effort necessary to roll back these premiums, it could not be accomplished by the January 1, 1990 effective date. This situation has produced the following critical priorities of the Commissioner of Social Security and the Secretary of Health and Human Services:

- Accomplishing the Medicare premium adjustments as quickly as possible, without jeopardizing timely receipt of basic monthly Social Security benefits;
- Providing refunds of the underpaid Social Security benefits resulting from the excess premiums, including reconciliation of accounting records; and
- Assuring the public that the premium adjustment and refund process is being carried out as quickly as possible.

As a result, for approximately 4 months, millions of Medicare beneficiaries will have approximately $5.30 too much withheld, on average, from their monthly Social Security benefits. To compensate for this, two refund checks will be mailed to beneficiaries, in February and in April, 1990, with the correct monthly amount planned for the May 3, 1990 check.

The costs of implementing this unbudgeted premium adjustment; including increased telephone and field office inquiries, additional overtime for systems programming, postage costs, and manual processing of cases which are excepted from the automated system; will be funded by a transfer of $45 million from funds appropriated to the Health Care Financing Administration for FY 1990.

D. Union Activities

The Senate Appropriations Committee Report on action on SSA's FY 1988 appropriations requests (Senate Report 100-189) addressed the subject of Social Security trust fund support of union activities. The Committee requested that SSA's FY 1989 and future budget justifications include information on SSA's expenditures for union activities. SSA's FY 1989 and FY 1990 budget justifications included information on union expenses in 1986, 1987 and 1988. The following table shows estimated expenditures from the limitation on administrative expenses account to subsidize the unions in 1989:

LAE Union Expenses
($ in millions)

	1989
Salary	$4.9
Travel and per diem	.2
Office space and telephones	.3
Arbitration expenses . . .	.3
Total	$5.7

SSA's labor contracts with the American Federation of Government Employees (AFGE), the National Federation of Federal Employees (NFFE) and the National Treasury Employees Union (NTEU) obligate the Agency to pay the cost of certain union expenses, such as salaries for official time to conduct union business, travel and per diem expenses, office space, telephones, and arbitration costs.

There are currently about 80 SSA employees who spend all or virtually all of their workday on union activities, in addition to those employees who spend part of their workday on union business. This number has remained relatively stable since October 1987, and we expect that the number of employees involved full-time with union activities will continue at about this level in FY 1990 and FY 1991. The new National Agreement with AFGE provides limits on the number of paid hours devoted to union activities. However, we expect that costs will rise due to the January 1990 pay raise and other cost increases.

E. Social Security Advisory Council

Section 706 of the Social Security Act requires the appointment of a quadrennial Advisory Council on Social Security. The Council is given a very broad statutory mandate to study all aspects of the Social Security cash benefits and Medicare programs. The Secretary of HHS is required by law to provide all necessary support to enable the Council to carry out its mandate. The Secretary has given SSA and the Health Care Financing Administration joint responsibility to provide full support for all activities related to the Advisory Council.

SSA's budget estimates assume funding for SSA's share of the Advisory Council and related staff costs for the full year in FY 1990, and through June of FY 1991. The budget assumes the following amounts as SSA's share of estimated Advisory Council costs:

FY 1990	$443,204
FY 1991	$240,831

F. Relationship of New Budget Authority to Obligations

As shown on the first page of the LAE General Statement, new budget authority requested for this account differs from estimated obligations as follows:

	FY 1990 Current Estimate	FY 1991 Estimate
New budget authority . .	$3,837,389,000	$4,166,974,000
Obligations	3,748,075,000	4,116,974,000
Difference	$89,314,000	$50,000,000

There are three areas where estimated LAE obligations in FY 1990 or FY 1991 differ from the amounts available from new budget authority. The following table summarizes these areas, each of which is described below:

	FY 1990 Current Estimate	FY 1991 Estimate
New Budget Authority . .	$3,837,389,000	$4,166,974,000
1. ITS	+8,178,000	---
2. Construction	+378,000	---
3. Contingency Reserve	-97,870,000	-50,000,000
Obligations	$3,748,075,000	$4,116,974,000

ITS -- Estimated ITS obligations for FY 1990 include $3.2 million carried over from FY 1989 (from no-year ITS funds appropriated prior to FY 1989) and $5.0 million in expected recoveries of prior years' obligations.

Construction -- In FY 1990 SSA plans to obligate $378,000 available from prior years' no-year construction activity appropriations, primarily for roof repairs and replacements for some of the trust fund-owned field office buildings.

Contingency Reserve -- Current estimates for FY 1990 do not include any use of the $97.9 million LAE contingency reserve. The FY 1991 request includes a contingency reserve of $50 million.

G. Major Changes in FY 1990 Budget Plans

The following table compares dollars in the FY 1990 President's budget request for the LAE account and the operating estimate for FY 1990 (the FY 1990 column of the FY 1991 budget), based on the FY 1990 appropriation level:

Limitation on Administrative Expenses

Changes in FY 1990 Budget Plans

	New Budget Authority ($ in millions)
FY 1990 President's budget	$3,833.4
FY 1990 Operating Estimate	3,837.4
Change	+$4.0

The FY 1990 enacted appropriation was $4.0 million more than the amount requested by the President in January 1989, but required that the fiscal year 1990 pay raise be absorbed within the total. In addition, Congress shifted $50 million into the contingency reserve, thereby increasing the contingency reserve to $97.9 million and reducing net available funds by $46 million.

A portion of this funding reduction can be absorbed due to changes in FY 1990 average salary estimates, based on experience in FY 1989. In addition, the following major changes are reflected in SSA's current estimates of LAE for FY 1990:

- Information technology systems (-$23 million);

- Disability State Agencies (-$4 million);

- Furniture to accommodate the modernized claims system, better utilize limited space, and provide a better work environment for SSA employees ($20.4 million); and

- Fewer workyears can be funded (-324 workyears; -$11.3 million).

Planned spending in other areas such as travel, transportation and printing is reduced. Through reductions in SSA's nonpersonnel costs, including ITS and the budget for Disability State Agencies, SSA plans to maintain personnel resources as close as possible to the budgeted level.

Program Accomplishments

Funding levels (obligations) for the Limitation on Administrative Expenses account for the past 5 fiscal years were as follows:

1986	$3,679,296,000
1987	$3,608,083,000
1988	$3,753,673,000
1989	$3,765,920,000
1990 (estimate)	$3,748,075,000

During this period, the Social Security Administration has performed its basic mission to:

- make monthly cash payments to individuals entitled to old-age and survivors insurance (OASI), disability insurance (DI), and supplemental security income (SSI), and to keep the benefit roles up-to-date;
- process new claims for OASI, DI and SSI benefits;
- process appeals related to claims for OASI, DI, and SSI benefits;
- verify the continuing eligibility of beneficiaries on the rolls, for example, through annual reports of earnings and periodic redeterminations of SSI eligibility;
- maintain earnings records for the Nation's active workers, as a base for determining eligibility to Social Security benefits and the benefit amounts; and
- issue Social Security numbers.

Some of the representative indicators of this performance are shown below:

Average Beneficiaries in Current Pay Status

Fiscal Year	OASI	DI	SSI 1/
1986	33,261,000	3,937,000	4,172,000
1987	33,816,000	4,011,000	4,301,000
1988	34,241,000	4,060,000	4,400,000
1989	34,639,000	4,088,000	4,484,000
1990 estimate	35,207,000	4,147,000	4,605,000

1/ Includes recipients of federally-administered State supplementation payments.

New Claims Processed

Fiscal Year	OASI	DI	SSI
1986..................	3,282,700	1,391,300	1,461,000
1987..................	3,234,400	1,437,200	1,412,000
1988..................	3,106,000	1,338,000	1,379,900
1989..................	3,127,900	1,243,000	1,312,500
1990 estimate.........	3,158,100	1,392,700	1,318,000

Appeal Actions Processed
(reconsiderations, hearings and appeals)

Fiscal Year	OASI	DI	SSI
1986...............	40,200	349,600	421,500
1987...............	32,900	583,600	525,500
1988...............	31,900	575,200	547,400
1989...............	28,800	570,800	499,600
1990 estimate......	33,000	616,700	539,700

Continuing Eligibility Activities

Fiscal Year	SSI Redeterminations	Continuing Disability 1/ Reviews (CDRs)	Annual Reports of Earnings
1986.............	2,277,800	158,800	1,243,400
1987.............	2,243,600	356,700	1,286,200
1988.............	1,996,800	480,300	1,192,200
1989.............	2,225,800	464,800	1,403,000
1990 estimate....	1,923,800	334,700	1,500,000

1/ Includes nonmedical CDRs (e.g., substantial gainful activity reviews initiated based on earnings postings or beneficiaries' reports of return to work) for both DI and SSI programs.

Fiscal Year	Other Earnings Items Posted	 New and Replacement Social Security Cards Issued
1986	228,625,000	12,073,900
1987	228,337,000	16,467,500
1988	255,842,600	23,458,500
1989	256,790,200	17,460,000
1990 estimate	251,540,000	18,005,300

In addition, during this period SSA has made improvements in the administration of the OASI, DI and SSI programs. Some of the major accomplishments are as follows:

1. New Legislation

Major new legislation implemented during this period which relates to SSA programs is as follows:

a. Medicare Catastrophic Coverage Repeal Act of 1989 (P.L. 101-234):

- On December 14, 1989 the President signed legislation which repeals many provisions of the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360), effective January 1, 1990.
- Among other changes, this legislation eliminates the monthly catastrophic coverage premium, which is generally deducted from monthly Social Security benefit checks along with the monthly Supplementary Medical Insurance (SMI) premium.
- SSA is giving implementation of the repeal of catastrophic coverage and rollback of the catastrophic health insurance premium deduction top priority in FY 1990, in order to minimize the effect on Social Security beneficiaries.

b. Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239). Provisions affecting SSA include:

- Establishment of an ongoing program of outreach to children potentially eligible for Supplemental Security Income benefits on the basis of disability or blindness.
- Elimination of the special dependency tests for child's insurance benefits in the case of children who are adopted before age 18 by retired or disabled beneficiaries.

- An increase in the contribution and benefit base for 1990 (to $51,300, 2 percent more than estimated under present law).

c. Family Support Act of 1988 (P.L. 100-485). The major provision affecting SSA is:

- For tax returns filed after December 31, 1989, a taxpayer identification number must be provided for dependent children age 2 (rather than age 5) and older.

d. Tax Reform Act of 1986 (P.L. 99-514). The major provision affecting SSA is:

- Requirement that all individuals age 5 and older, who are claimed as dependents on a taxpayer's return beginning with tax year 1987, have a Social Security number.

e. Immigration Reform and Control Act of 1986 (P.L. 99-603). Major provisions include:

- Requirement to study establishment of a system for employer verification of Social Security numbers of new employees.

- Granting temporary or permanent resident status to certain aliens who had entered the United States illegally. This affects SSA's Social Security number and related workloads.

2. Achieved Economies and Improvements in Program Administration (other than those required by legislation)

- Commissioner's Goals

  In November 1989 SSA's Commissioner established three primary goals for the Agency, and specific related objectives, through which SSA will continue to deliver quality service. The three primary goals are:

  -- To serve the public with compassion, courtesy, consideration, efficiency and accuracy;

  -- To protect and maintain the American people's investment in the Social Security trust funds and to instill public confidence in SSA programs; and

  -- To create an environment that ensures a highly skilled, motivated workforce dedicated to meeting the challenges of SSA's public service mission.

- Claims Modernization

In FY 1987 SSA began nationwide implementation of the Modernized Claims System for Social Security claims. More than 25,000 new terminals, as well as other systems equipment, have been installed in SSA's field offices and teleservice centers. The new system provides online data gathering and data entry, automated processing and better control of claims. It also provides more data to employees, allowing for direct response to claimant inquiries. Through FY 1990 this initiative is estimated to have achieved annual savings of about 3,300 workyears.

- Toll-Free "800" Telephone Number

As part of the Agency's continuing efforts to improve service to the public, SSA fully implemented nationwide "800" number service in October 1989. The "800" number handles all incoming telephone calls to SSA through one toll-free number, and it improves the accessibility and convenience of SSA services. Hours for personal service are extended to 7 a.m. to 7 p.m. weekdays; and automated equipment is available at night and on weekends and holidays to provide general Social Security information. Also, we can monitor the volume of incoming calls continuously to detect backlogs or problems in providing prompt service. Based on that information, we can make adjustments to route calls from busy sites to those with less traffic, in order to balance resources and workloads and reduce the number of busy signals.

- Personal Earnings and Benefit Estimate Statement (PEBES)

In August 1988 SSA implemented the new PEBES system, to improve service to the public and better carry out the Agency's responsibility for maintaining accurate earnings records. The new statement, provided to workers upon request, is a considerable improvement over the limited earnings information previously available. It contains year-by-year Social Security earnings information, and comprehensive benefit estimates based on information provided by the workers. PEBES provides workers a better understanding of the scope of their Social Security protection, which may help them to do their own financial planning. Also, the issuance of PEBES statements should help SSA identify and resolve errors in earnings records prior to the time that a worker files for benefits. By the end of FY 1989, SSA had received more than 6 million requests for PEBES.

- **Reconciliation of Wage Records**

  In July 1988 SSA and the Internal Revenue Service (IRS) reached agreement on joint SSA and IRS efforts, beginning with tax year 1987, to improve reconciliation of employer wage reports in a timely and efficient manner, and thus facilitate accurate crediting of wages to workers' records. SSA expects to catch up in FY 1990 on the remaining backlogged reconciliation work, so that the FY 1991 reconciliation workload will consist of only current cases (tax year 1989).

- **Enumeration at Birth**

  Enumeration at birth gives parents the opportunity to request a Social Security number (SSN) for their newborn children at the time the State birth registration form is completed at the hospital. SSA subsequently issues the SSN card based on birth registration information provided by the State on magnetic tape. This service greatly reduces the burden on the parents and SSA in enumerating children; and is a timely service improvement since recent tax legislation requires SSNs for dependents age 2 and over beginning with tax year 1989. SSA began to implement this new service in FY 1988. Now it is available virtually nationwide (i.e., 41 States, the District of Columbia and Puerto Rico have agreed to participate).

- **SSI Outreach Activities**

  SSA is concerned about ensuring that people potentially eligible for SSI are aware of the benefits and services available through this program, and has initiated an outreach program through its field office structure. SSA is working with advocacy groups and community organizations through demonstration projects to expand SSI outreach efforts. SSA estimates that the new outreach efforts directed toward children, as mandated by the Omnibus Budget Reconciliation Act of 1989, will result in more than 27,000 new SSI claims.

- **Representative Payee Activity**

  SSA is expanding its efforts to find the best possible representative payees for beneficiaries who need help handling their benefit payments. In May 1988 SSA resumed conducting a full annual representative payee accounting for each beneficiary and has initiated a number of initiatives to improve representative payee selection and accounting policies. SSA is firmly resolved to do all that is necessary to assure that well-qualified payees are selected; that payees act in the best interests of beneficiaries; and that the rights of beneficiaries who need payees are fully protected.

- **Implementation of Revised SGA Regulation**

  Effective January 1, 1990 SSA implemented a new regulation to increase the substantial gainful activity (SGA) amount used as a guideline in evaluating work activity of persons claiming benefits in the disability and SSI programs. SSA is raising these levels now after reassessing SGA guidelines during an effort to improve incentives for disabled persons to return to work. SSA believes that the increase in the amount of earnings and services which constitute SGA and trial work will provide a more meaningful opportunity for title II beneficiaries to attempt to return to work.

- **Streamline Agency Management and Administration and Improve Service**

  In recent years SSA has been able to streamline Agency management and administration and at the same time maintain or improve service to the public. SSA has:

  -- Implemented numerous systems, procedural and management improvements which speed processing and reduce the need for manual handling. Some examples, other than claims modernization, are:

    - Office automation and the streamlining of the field office work measurement system;
    - Elimination of unproductive exceptions and alerts in field offices and processing centers;
    - Better redetermination targeting;
    - Expansion of district office final authorization of initial claims; and
    - Automation of SSI overpayment notices.

  -- Taken steps to make service more convenient for SSA clients by increasing the use of telephone service, scheduling interview appointments and, in some cases, adjusting local offices hours to accommodate the needs of the locality.

  -- Achieved measurable productivity improvement. Over the 5-year period, FY 1985 - FY 1989, SSA productivity improved by about 25 percent.

-- Maintained a high level of service to the public during a period of downsizing. Through FY 1989, SSA FTEs were reduced by about 16,000, or nearly 20 percent, from the FY 1984 level. During the same period service to the public, as surveyed by the Office of the Inspector General, has consistently remained above the 1984 level. The percent of the public rating SSA service as "good to very good" was 79 percent in 1989.

-- Improved millions of Agency notices by rewriting them in more easily understood language, and by improving the type size and physical design.

-- Increased the number of employers who report wage information on magnetic media rather than on paper W-2's, which contributed to the bulk of the annual wage reports for tax year 1988 being processed by July 28,1989. In FY 1989 SSA received about 165 million magnetic media items for processing compared with about 153 million items in FY 1988, 128 million items in FY 1987 and 92 million in FY 1986. This number is expected to reach about 170 million in FY 1991.

-- Processed the 1989 Automated Earnings Reappraisal Operation (AERO) as early as the prior year's record performance. About 2.2 million cases were processed at the end of January 1989 to include 1987 earnings, providing those beneficiaries an average increase of more than $12 per month due to additional earnings. Increases were paid in the March 3, 1989 benefit checks.

- Improvement in Disability State Agency Productivity

SSA has managed together with the Disability State Agencies to implement the significant program changes required by the Disability Benefits Reform Act of 1984, to maintain quality disability determinations, to improve productivity, and to control medical costs. Disability State Agencies have made significant productivity improvement, from an average production rate of about 194 cases per workyear in 1987 to 210 cases per workyear in FY 1988, and 215 in FY 1989, while maintaining high quality disability determinations. This has been achieved primarily by improving the balance between staff and workloads since the resumption of continuing disability review processing in FY 1986, and by reducing variances in production rates among the States.

- Public Information

FY 1990 will mark the beginning of the second phase of a multi-media campaign in cooperation with the Advertising Council, Inc., focusing on the value of the Social Security program and encouraging workers to request their free Personal Earnings and Benefit Estimate Statement.

- **Debt Management**

  SSA's debt management program reflects continuing success in detecting and collecting money owed by the public and in preventing new overpayments. In FY 1989 SSA collected over $1 billion in overpayments in the OASI, DI and SSI programs, including federally-administered State supplementation of SSI benefits. This was an increase of $24 million over the amount collected in FY 1988.

- **Payoff of Trust Fund Mortgages**

  In FY 1987, SSA authorized the General Services Administration (GSA) to liquidate part of the remaining mortgage balances on three SSA program service center buildings constructed through the purchase contract method of financing. GSA was able to liquidate $41.9 million of these mortgages from FY 1987 LAE funds that were available which otherwise would have lapsed. This reduced SSA's outstanding principal to $41,175,000 on these buildings. If opportunities arise in the future for SSA to liquidate more of the purchase contract balance, thereby saving money for the trust funds, SSA will do so.

- **Annual Financial Statements**

  Since 1988, SSA's Annual Report to the Congress has included audited financial statements which disclose the financial condition, results of operations and sources and uses of program funds. Publication of formal financial statements, together with the independent auditor's opinion, is an integral part of improving management of the Agency's programs. The rigor of preparing such statements and being subjected to a detailed audit introduce professional discipline and provide an accountability as would be expected of a private sector corporation. Publishing financial statements:

  - Demonstrates that the Agency is being run in a business-like fashion.

  - Builds public confidence in our stewardship of both the Social Security trust funds and the largest budget of any Federal agency.

  - Assures the public that the Social Security program is financially sound both now and well into the future.

  - Focuses attention on the Agency's systems of accounting and internal controls and provides motivation for continued efficiency.

  - Ensures that the Agency's financial and programmatic systems provide information needed by management to discharge its financial responsibilities as a public fiduciary.

Limitation on Administrative Expenses

Old-age and survivors insurance program

Authorizing Legislation: Section 201(g)(1) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority........	$1,129,997,000	$1,237,091,000	+$107,094,000
(Obligations)...........	($1,134,276,000)	($1,237,091,000)	(+$102,815,000)
Full-time equivalents...	23,771	23,971	+200
Workyears...............	24,201	24,569	+368

Purpose and Method of Operation

Funds requested for the administration of the old-age and survivors insurance (OASI) program provide for:

1. the initial determination of eligibility of workers, wives, widows, children and dependent parents for OASI benefits;
2. reevaluation of the initial determination when requested by the claimant;
3. processing current changes to the beneficiary rolls to assure proper payment of benefits;
4. review of beneficiaries' continuing eligibility for benefits, including evaluation of the performance of representative payees;
5. preparation of annual statements for beneficiaries and reports to the Treasury Department of amounts of Social Security benefits paid annually as required by the taxation of benefits provision of Public Law 98-21; and,
6. activities required under the Employee Retirement Income Security Act of 1974 (Pension Reform Act), primarily annotating earnings histories of employees with vested pension rights and notifying employees or their survivors regarding vested pension rights. These functions are chargeable by law ultimately to Federal funds. Thus the Federal Old-Age and Survivors Insurance Trust Fund advances the administrative expenses as needed, and is subsequently reimbursed for these costs, including interest, if appropriate, via the Payments to Social Security Trust Funds appropriation.

In addition, the OASI activity, along with the disability and health insurance activities, includes a share of the following functions which support all Social Security programs:

- -- the issuance of Social Security numbers;
- -- the maintenance of earnings records for workers covered by the Social Security programs;
- -- the overall direction of the Social Security Administration (SSA); and
- -- administrative services.

Rationale for the Budget Request

The FY 1991 request for this activity finances workload processing (initial enrollment, appellate decisions, maintenance of the beneficiary rolls and continuing eligibility reviews) and other functions of the OASI program.

I. Workloads and Recent Accomplishments

A. Workload Trends

The number of beneficiaries receiving payments is an indicator of the general workload trend in this activity. The table below shows the average number of persons receiving benefits and the amount of benefits paid in recent years, as well as the current budget estimates.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid Under Current Law
1987	33,816,000	$182,055,047,000
1988	34,241,000	$192,540,780,000
1989	34,639,000	$204,648,000,000
1990 estimate	35,207,000	$218,905,000,000
1991 estimate.	35,797,000	$233,526,000,000

The normal year-to-year growth in beneficiaries and in the amount of benefits paid is in large measure dependent on population and economic growth and demographic changes. The benefits paid each year increase as the number of beneficiaries increases. In addition, average monthly benefits increase as general earnings rise and annual automatic cost-of-living benefit increases, authorized by law, go into effect. The estimated benefit amounts for FY 1990 and FY 1991 include the 4.7 percent automatic increase which was effective January 1990 and assume a 3.9 percent increase effective January 1991.

The principal workloads included in this activity are shown below:

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
Processed claims for retirement and survivors insurance benefits	3,158,100	3,161,300	+3,200	+0.1%
Appellate actions processed (reconsiderations and appeals)	32,980	33,480	+500	+1.5%
Continuing eligibility reviews (e.g., beneficiaries who work or attend school, and representative payee actions) . .	4,740,900	4,717,500	-23,400	-0.5%
Maintenance of the rolls (e.g., processing changes of address or status, benefit recomputations, recovery of overpayments and actions related to payments and nonreceipt of checks)	53,558,000	53,980,500	+422,500	+0.8%

B. Recent Accomplishments

Recent accomplishments are due to management initiatives, some of which are addressed in the general statement for this account. This includes:

-- installation of terminals in SSA's field offices, which has improved the claims-taking process;

-- development of a new Personalized Earnings and Benefit Estimate Statement which contains year-by-year earnings and Social Security tax information and estimates of benefit amounts;

-- establishment of the procedure whereby parents may request a Social Security number be issued to their child at birth through a data exchange system linked with State birth records;

-- expansion of SSA's telephone service so that people throughout the country can now call a toll-free number to conduct Social Security business; and

-- enhancements in the area of office automation to enable SSA to automate many management information and administrative functions.

II. Workyears

Workyears budgeted for the OASI program increase from 24,201 workyears in FY 1990 to 24,569 workyears in FY 1991. The increase of 368 workyears is related to the increase in the number of beneficiaries served, offset by management actions, systems improvements and procedural changes which are being implemented by the Agency.

III. Administrative Expenses

	1990 Current Estimate	1991 Estimate	Change
Obligations....	$1,134,276,000	$1,237,091,000	+$102,815,000

Total administrative costs of SSA are allocated to each activity based upon standard cost accounting principles, and are consistent with the workloads and workyears associated with administering each program. The year-to-year increase of $102,815,000 in obligations is the net effect of this activity's share of the increases and decreases explained in the summary of changes exhibit for this account.

Limitation on Administrative Expenses

Disability insurance program

Authorizing Legislation: Section 201(g)(1) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority (Obligations)	$1,251,120,000 ($1,253,749,000)	$1,362,018,000 ($1,362,018,000)	+$110,898,000 (+$108,269,000)
Full-time equivalents . .	16,966	17,066	+100
Workyears	17,271	17,491	+220

Purpose and Method of Operation

Funds requested for the administration of the disability insurance (DI) program provide for:

1. the initial determination of eligibility of disabled workers and their dependents for DI benefits;
2. reevaluation of the initial determination or of a decision to terminate payment, when requested by the claimant;
3. processing current changes to the beneficiary rolls to assure proper payment of benefits;
4. review of beneficiaries' continuing eligibility for benefits, including evaluation of the performance of representative payees; and,
5. preparation of annual statements for beneficiaries and reports to the Treasury Department of amounts of Social Security benefits paid annually as required by the taxation of benefits provision of Public Law 98-21.

In addition, the DI activity, along with the old-age and survivors and health insurance activities, includes a share of the following functions which support all Social Security programs:

-- the issuance of Social Security numbers;

-- the maintenance of earnings records for workers covered by the Social Security programs;

-- the overall direction of the Social Security Administration (SSA); and

-- administrative services.

Rationale for the Budget Request

The FY 1991 budget request for this activity finances workload processing (initial enrollment, appellate decisions, maintenance of the beneficiary rolls and continuing eligibility reviews) and other functions of the DI program.

I. Beneficiary Population and Benefit Payment Trends

The table below shows the average number of persons receiving benefits and the amount of benefits paid in recent years.

Fiscal Year	Average Number of Beneficiaries in Current Payment Status	Benefits Paid Under Current Law
1987	4,011,000	$20,421,057,000
1988	4,060,000	$21,395,227,000
1989	4,088,000	$22,515,935,000
1990 estimate . .	4,147,000	$24,013,000,000
1991 estimate . .	4,206,000	$25,493,000,000

II. Workloads Processed by SSA

The table below summarizes key workloads which SSA expects to process during FY 1990 and FY 1991.

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
Processed claims from disabled workers and their dependents . . .	1,392,700	1,422,300	+29,600	+2.1%
Appellate actions processed:				
Reconsiderations	336,700	338,900	+2,200	+0.7%
Hearings . . .	211,700	222,400	+10,700	+5.1%
Appeals	68,350	70,150	+1,800	+2.6%
Continuing eligibility reviews (e.g., representative payees, beneficiaries whose continued disability is verified periodically, and beneficiaries who work or attend school)	2,044,200	2,116,500	+72,300	+3.5%

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
Maintenance of the rolls (e.g., processing changes of address or status, benefit recomputations, recovery of overpayments and actions related to payments and nonreceipt of checks	7,575,800	7,641,900	+66,100	+0.9%

The increase in continuing eligibility and maintenance of the rolls workloads is mainly related to increases in the number of beneficiaries.

III. DI Workloads Processed by Disability State Agencies

In addition to the work processed directly by SSA, a considerable amount of work under this program is processed by Disability State Agencies which make determinations of disability associated with new claims, appellate cases and reviews of continuing eligibility as agents of SSA. The number of disability determinations to be processed by the Disability State Agencies in FY 1990 and FY 1991 is shown in the table below:

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
DI disability determinations processed by Disability State Agencies (new awards, appeals and continuing eligibility) . .	1,659,600	1,712,100	+52,500	+3.2%

IV. Workyears

Federal workyears budgeted for the DI program increase from 17,271 workyears in FY 1990 to 17,491 workyears in FY 1991. The increase of 220 workyears is the net result of resources needed to process the higher workloads, partially offset by productivity improvements from systems and procedural changes, some of which are addressed in the general statement for this account.

V. Administrative Expenses

	1990 Current Estimate	1991 Estimate	Change
SSA Federal . .	$805,078,000	$880,898,000	+$75,820,000
Disability State Agencies	448,671,000	481,120,000	+32,449,000
Total Obligations .	$1,253,749,000	$1,362,018,000	+$108,269,000

Total administrative costs of SSA are allocated to each activity based upon standard cost accounting principles, and are consistent with the workloads and workyears associated with administering each program. The year-to-year increase of $75,820,000 in obligations for SSA Federal is the net effect of this activity's share of the increases and decreases explained in the summary of changes exhibit for this account.

Disability State Agency requirements for FY 1991 are expected to increase by $32,449,000. The total Disability State Agency budget request, which covers State agency costs associated primarily with this activity and the supplemental security income activity, is addressed in the general statement portion of this justification.

Limitation on Administrative Expenses

Health insurance program

Authorizing Legislation: Title XVIII and section 209(g)(1) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority.........	$168,412,000	$199,440,000	+$31,028,000
(Obligations)............	($169,211,000)	($199,440,000)	(+$30,229,000)
Full-time equivalents....	3,568	3,863	+295
Workyears................	3,633	3,959	+326

Purpose and Method of Operation

This activity provides resources for the Social Security Administration's (SSA's) support of the Medicare program, which provides health insurance protection to persons age 65 or over; to persons under age 65 who have been entitled for at least 24 months to Social Security or Railroad Retirement benefits because they are disabled; and to workers insured under Social Security and their dependents who have chronic renal disease and receive hemodialysis or renal transplants.

The establishment of the Health Care Financing Administration (HCFA) in March 1977 removed much of SSA's responsibility for administration of the Medicare program. Under policies established by HCFA, SSA still has operational responsibility for:

1. enrolling persons in the Medicare program;

2. maintaining individual beneficiary records of eligibility for Medicare;

3. collecting premium payments through check adjustments; and,

4. answering inquiries regarding Medicare coverage, verifying claim numbers and assisting beneficiaries in completing claims for payment and filing requests for reconsideration, hearing or appeal of decisions on Medicare claims.

This activity along with the old-age and survivors insurance and disability insurance activities, includes a share of the following functions which support all Social Security programs:

-- the issuance of Social Security numbers (SSNs);

-- the maintenance of earnings records for workers covered by the Social Security programs;

-- the overall direction of the Social Security Administration; and

-- administrative services.

The Omnibus Budget Reconciliation Act of 1986 (OBRA 86) contained a provision which revised the Social Security Act to grant further appeal rights under Medicare Part B (the Supplementary Medical Insurance program) for services furnished after January 1, 1987. The provision includes claimant rights for an administrative law judge (ALJ) hearing and judicial review following an ALJ hearing when the amount in controversy is $500 or more. SSA began conducting these hearings in March 1988.

The Medicare Catastrophic Coverage Act of 1988, signed into law on July 1, 1988, was repealed on December 14, 1989. Its repeal reduced the Medicare premium (by $5.30 per month for most beneficiaries) from the scheduled amount for January 1990. SSA expects substantial increases in inquiries from beneficiaries concerning the repeal of this legislation. In addition, the reduction of the premium amount will be delayed due to the timing of the repeal of the law. SSA also anticipates that it will receive inquiries related to the delay in correcting the premium amount and related to the refunds of excess premium deductions. SSA's costs for adjusting the Medicare premiums, the related inquiries, and the postage and printing for refund checks and notices to Medicare beneficiaries will be funded from HCFA's FY 1990 appropriation. As a result, these costs are not reflected in this document.

Rationale for the Budget Request

The FY 1991 request for this activity finances workload processing (e.g., initial enrollment, maintenance of the rolls) and other functions of the Medicare program.

I. Workloads

SSA's ongoing Medicare-related workloads are summarized below:

	1990 Current Estimate	1991 Estimate	Change	
			Volume	Percent
Enrolling persons into Medicare, assisting beneficiaries, responding to inquiries from providers and contractors, etc., for the hospital insurance program....................	5,670,600	5,742,500	+71,900	+1.3%

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
Assisting beneficiaries and responding to inquiries from providers and contractors for the medical insurance program..........	4,096,600	4,171,000	+74,400	+1.8%

The increase in FY 1991 over FY 1990 primarily reflects normal growth in the Medicare beneficiary population.

II. Workyears

Workyears budgeted for the Medicare program are 3,633 in FY 1990 and 3,959 in FY 1991, for a net increase of 326 workyears. The largest share of the workyears is for providing service to applicants and beneficiaries in our field offices on Medicare-related matters. In addition, this activity bears a share of workyears expended on SSN maintenance activities which benefit the Medicare as well as the other trust fund programs. The budgeted resources in FY 1990 and FY 1991 include funding for ALJ hearings and judicial reviews for claims arising under Part B of the Medicare program.

The workloads directly supporting the Medicare program are higher in FY 1991 and the total workyears needed to support all of SSA's Medicare activities will increase as well.

III. Administrative Expenses

	1990 Current Estimate	1991 Estimate	Change
Obligations.........	$169,211,000	$199,440,000	+$30,229,000
Workyears...........	3,633	3,959	+326

Total administrative costs of SSA are allocated to each activity based upon standard cost accounting principles, and are consistent with the workloads and workyears associated with administering each program. Obligations for the health insurance activity are primarily for salaries and related costs associated with 3,633 workyears in FY 1990 and 3,959 workyears in FY 1991. The year-to-year increase of $30,229,000 in obligations is due to this activity's share of the increases and decreases explained in the summary of changes exhibit for this account.

Limitation on Administrative Expenses

Supplemental security income program

Authorizing Legislation: Title XVI and section 201(g)(1) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority . . .	$1,090,131,000	$1,212,602,000	+$122,471,000
(Obligations)	($1,090,131,000)	($1,212,602,000)	(+$122,471,000)
Full-time equivalents .	16,572	16,500	-72
Workyears	16,831	16,935	+104

Purpose and Method of Operation

Funds requested for this activity provide for Federal administration of the supplemental security income (SSI) program for the aged, blind and disabled. This includes Federal administration of State mandatory and optional supplementation payments in States which have entered into agreements with the Secretary of Health and Human Services for this service. The Federal Government is currently administering mandatory supplements for 26 States and the District of Columbia and optional supplements for 17 States.

This activity covers the following work:

1. the initial determination of eligibility of persons age 65 and over, and blind and disabled persons regardless of age;
2. reevaluation of the initial determination of denial or payment termination, when requested by the claimant;
3. maintenance of individual recipients' records to assure proper payments; and,
4. review of recipients' continuing eligibility for payments, including periodic redeterminations of eligibility and payment amount.

In addition, the SSI activity includes a share of the following functions which support all Social Security Administration programs:

-- the overall direction of the Social Security Administration; and

-- administrative services.

The Social Security Act authorizes reimbursement to the Social Security trust funds for SSI administrative costs initially incurred by this account. The reimbursement is requested in a separate activity of the SSI program appropriation.

Rationale for the Budget Request

The FY 1991 budget request for this activity finances workload processing (initial enrollment, appellate decisions, maintenance of the beneficiary rolls and continuing eligibility reviews) and other functions of the SSI program.

I. Recipient Population and Benefit Payment Trends

The following table shows the annual trend of the SSI recipient population and benefits paid over a 5-year period.

Fiscal Year	Recipients at End-of-Year	Benefits Paid During Year
1987	4,351,000	$12,368,137,000
1988	4,434,000	$14,227,464,000
1989	4,570,000	$14,173,040,000
1990 estimate	4,648,000	$14,305,000,000
1991 estimate	4,699,000	$16,553,000,000

Recipients receive a Federal payment and, as appropriate, federally-administered State supplementation payments. Benefits paid during the year include all Federal payments and those State supplemental payments which are administered by the Federal Government. Although average payments from month to month to recipients remain fairly constant (except when cost-of-living adjustments are provided), the payments during the fiscal year can vary depending on when checks are actually issued. Although checks are normally paid on the first day of the month, if it is a non-banking day checks are then paid on the last banking day of the prior month. The table below shows the number of checks issued by fiscal year as a result of this method of payment:

Fiscal Year	Number of Checks Issued
1987	12
1988	13
1989	12
1990	11
1991	12

Thus, the FY 1990 benefit payment estimate appears low because the October 1989 (FY 1990) benefit was paid on September 29, 1989 (FY 1989).

II. Workloads Processed by SSA

The table below summarizes key SSI workloads which SSA expects to process during FY 1990 and FY 1991.

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
Processed claims from the aged or blind or disabled	1,318,000	1,359,400	+41,400	+3.1%
Appellate actions processed:				
Reconsiderations	335,800	334,600	-1,200	-0.4%
Hearings . . .	151,200	163,600	+12,400	+8.2%
Appeals	52,700	53,800	+1,100	+2.1%
Continuing eligibility reviews (e.g., beneficiaries whose continued disability is verified periodically, representative payee actions, and SSI redeterminations of eligibility).	3,315,300	3,665,700	+350,400	+10.6%
Maintenance of the rolls (e.g., processing change of address or status, recovery of overpayments and actions related to payments and nonreceipt of checks). . . .	7,606,000	7,892,100	+286,100	+3.8%

SSI blind and disabled claims are estimated to increase in FY 1991 primarily as a result of SSA's outreach efforts. Other workload increases are related to the increase in the number of SSI recipients, an increase in redeterminations and the expansion of computer matching activities.

III. SSI Workloads Processed by Disability State Agencies

Disability State Agencies make disability determinations on SSA's behalf for the SSI program, just as they do for the disability insurance program. The estimated number of SSI disability determinations they will make in FY 1990 and FY 1991 is shown in the following table.

	1990 Current Estimate	1991 Estimate	Change Volume	Change Percent
SSI disability determinations processed (includes determinations associated with new claims, appellate cases and reviews of continuing eligibility)	1,298,600	1,331,100	+32,500	+2.5%

IV. Workyears

Federal workyears budgeted for the SSI program increase from 16,831 in FY 1990 to 16,935 workyears in FY 1991. The increase of 104 workyears is the net result of the resources needed to process the higher workloads.

V. Administrative Expenses

	1990 Current Estimate	1991 Estimate	Change
SSA Federal	$793,569,000	$894,602,000	+$101,033,000
Disability State Agencies	296,562,000	318,000,000	+21,438,000
Total obligations	$1,090,131,000	$1,212,602,000	+$122,471,000

Total administrative costs of SSA are allocated to each activity based upon standard cost accounting principles, consistent with the workloads and workyears associated with administering each program. Estimated obligations for SSA Federal are the SSI program's estimated share of total SSA administrative costs explained in the summary of changes exhibit and general statement for this account.

Disability State Agency expenses for FY 1991 are expected to rise by $21,438,000. The total Disability State Agency budget request, which covers State agency costs associated primarily with this activity and the disability insurance activity, is addressed in the general statement portion of this justification.

Limitation on Administrative Expenses

Annual reporting of earnings

Authorizing Legislation: Section 201(g)(1) of the Social Security Act and section 8(f) of P.L. 94-202.

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Budget authority . . .	$70,261,000	$76,058,000	+$5,797,000
(Obligations)	($70,732,000)	($76,058,000)	(+$5,326,000)
Full-time equivalents .	1,488	1,475	-13
Workyears	1,516	1,512	-4

Purpose and Method of Operation

The Social Security Administration (SSA) is responsible for maintaining lifetime earnings records for persons who pay into the Social Security system. These records are used to:

-- properly credit the Social Security trust funds with FICA contributions based on reported earnings;

-- record quarters of coverage under Social Security, which are used to establish entitlement for benefits and eligibility for Medicare; and,

-- determine the amount of benefits payable under the old-age and survivors and disability insurance programs.

P.L. 94-202, enacted January 2, 1976, instituted a single annual wage reporting system. Under this law all employers are now required to report annually. This law gives the Secretaries of Treasury and Health and Human Services authority to use Forms W-2, "Statement of Earnings," and related documents provided annually by employers to employees and to the Internal Revenue Service (IRS) as official reports of wages for both Social Security and income tax purposes.

Under annual reporting, SSA receives earnings data for all workers (regardless of coverage under Social Security), posts the data to SSA records, and provides to IRS information it needs to administer the income tax program.

Although the annual reporting workload is highly seasonal, activities related to maintaining the accuracy and completeness of individual wage records take place throughout the year. The vast majority of the annual reporting wage items submitted to SSA are processed within a 9-month period (January to September) using a large number of temporary and seasonal employees. The compressed schedule for processing these records is based on the receipt of Forms W-2 from employers beginning in January and the need to supply IRS with the wage information it needs on a timely basis.

Rationale for the Budget Request

The resources requested, which will allow SSA to process all of the tax year (TY) 1990 reports by the end of fiscal year (FY) 1991, are discussed below.

I. Workloads to be Processed

The workloads for FY 1990 and FY 1991 are summarized in the table below.

Annual Earnings Items Posted	1990 Current Estimate	1991 Estimate
Paper	86,590,000	85,880,000
Magnetic media	164,950,000	170,210,000
Total items	251,540,000	256,090,000

SSA encourages large employers to submit earnings information on magnetic media in lieu of paper documents. Employers benefit from magnetic media reporting because it allows them to report earnings data without sending a paper Form W-2 to the Government. The Federal Government benefits because use of magnetic media eliminates manual keying and other clerical operations. SSA received about 165 million new annual earnings items on magnetic media in FY 1989. We expect this number to continue to increase over the next 2 years, to about 170 million in FY 1991.

A regulation published by IRS required employers with 500 or more employees to submit their earnings reports to SSA on magnetic media beginning with TY 1986 (FY 1987) unless undue hardship would result from the conversion to magnetic media. The regulation extended this magnetic media reporting requirement to employers with 250 or more employees beginning with TY 1987 (FY 1988). We expect the growth in total items in 1991 over 1990 to occur exclusively in reports which are received through magnetic media.

SSA converts the paper records it receives to magnetic tape by using computerized optical scanning equipment, where possible, or key-to-tape data entry. Upon completion of this process, a magnetic tape is furnished to IRS for use in administering the income tax program; and the earnings information is available for SSA program administration.

SSA will submit a legislative proposal to Congress in 1990 which would extend the magnetic media reporting requirements to payroll service agents processing records for more than 250 employees. This proposal would bring further administrative savings to SSA, which could be directed to other high priority projects.

In FY 1986, SSA began reconciling employer wage reporting problems resulting from discrepancies between the annual wage reports submitted to SSA and the quarterly wage reports submitted to IRS. On July 12, 1988 a new Memorandum of Understanding was signed by SSA and IRS which established a solid foundation [illegible] the reconciliation of wage reports in a timely and efficient manner. SSA has been processing a backlog of cases for TY 1978 through TY 1986 and expects to be current by early FY 1991.

II. Workyears

The following table summarizes the workyears required for the annual reporting of earnings activity in FY 1990 and FY 1991, and the distribution of these workyears between SSA and IRS work.

	1990 Current Estimate	1991 Estimate	Change
SSA work	807	771	-36
IRS work	709	741	+32
Total, workyears .	1,516	1,512	-4

SSA's budget request provides 1,512 workyears for the annual reporting of earnings activity in FY 1991--4 workyears less than the FY 1990 level. The decrease is due primarily to completing the backlog of reconciliation cases.

III. Administrative Expenses

The table below summarizes the obligations associated with annual reporting of earnings in FY 1990 and FY 1991, and the distribution of these obligations between SSA and IRS work.

	1990 Current Estimate	1991 Estimate	Change
SSA work	$37,982,000	$38,767,000	+$785,000
IRS work	32,750,000	37,291,000	+4,541,000
Total, obligations .	$70,732,000	$76,058,000	+$5,326,000

Total administrative costs of SSA are allocated to each activity based upon standard cost accounting principles, and consistent with the workloads and workyears associated with the administration of each program. SSA obligations in the annual reporting of earnings activity are primarily for salaries and related costs associated with 1,516 workyears in FY 1990 and 1,512 workyears in FY 1991. The year-to-year change in obligations is an increase of $5,326,000. This change is the net effect of higher average payroll costs, the decrease of 4 workyears, and this activity's allocated share of other agency increases and decreases explained in the summary of changes exhibit for this account.

Funding for this activity ultimately must be shared by the trust funds and general revenues, even though it is funded through the limitation on administrative expenses. As authorized by section 8(f) of P.L. 94-202, the trust funds are reimbursed by offsetting the amounts which Treasury normally draws directly from the trust funds to finance its trust fund-related activities (e.g., collecting FICA taxes and disbursing Social Security benefit checks).

The cost-sharing methodology SSA uses to divide the administrative costs of annual reporting between the trust funds and the general funds has been approved by the Board of Trustees of the Federal Old-Age and Survivors Insurance, Disability Insurance and Hospital Insurance Trust Funds. Under this methodology, the cost of work done solely for the benefit of trust fund programs, such as records of FICA tax collections, is charged to the trust funds. The cost of work done which benefits both SSA and IRS programs is split equally between the trust funds and the general funds. Work done solely for IRS is charged to general funds.

Limitation on Administrative Expenses

Construction program

Authorizing Legislation: Section 201(g)(1) of the Social Security Act.

	1990 Current Estimate	1991 Estimate	Change
Budget authority	$29,598,084	$29,764,569	+$166,485
(Obligations)	($29,976,284)	($29,764,569)	(-$211,715)

Purpose and Method of Operation

This activity provides for the construction needs of the Social Security program. In actions on prior appropriations, the Congress has determined that the construction needs of the Social Security Administration (SSA) shall be funded through the Social Security trust fund construction activity rather than through payment of rent to the Federal buildings fund of the General Services Administration (GSA). SSA leases most of its district offices and some headquarters and program service center facilities. The decision on whether to build or lease has been based on considerations of economy, efficiency and service to the public. The rental and maintenance costs on leased buildings are budgeted in the other activities of the limitation on administrative expenses (LAE).

Rationale for the Budget Request

No new budget authority is requested for headquarters or district office construction projects since budget authority from prior years is available to meet all planned requirements. New budget authority is requested for annual purchase contract payments on buildings previously constructed under the purchase contract method of financing.

I. Construction

	1990 Current Estimate	1991 Estimate	Decrease
Budget authority . . .	-0-	-0-	-0-
Obligations	$378,200	-0-	-$378,200

FY 1990 obligations shown above are to cover the costs of estimated roof replacements of headquarters and trust fund-owned field offices. The vast majority of trust fund-owned buildings are between 15-20 years old and some will require roof replacement or repair.

II. Purchase Contract Payments

	1990 Current Estimate	1991 Estimate	Increase
Budget authority . . .	$29,598,084	$29,764,569	+$166,485
Obligations	$29,598,084	$29,764,569	+$166,485

SSA has five buildings which were constructed under the purchase contract method of financing authorized by the Public Buildings Amendments of 1972. Under this procedure, private contractors built facilities for Federal Government use; and the Federal Government makes annual payments covering principal, interest and taxes for a period of up to 30 years, after which time the buildings become assets to the Federal Government. The authority to enter into new purchase contract arrangements expired in 1975. SSA purchase contract facilities include:

- Program service center buildings in Chicago, Illinois; Philadelphia Pennsylvania; and Richmond, California.
- Headquarters buildings in Woodlawn, Maryland (National Computer Center) and in Baltimore City (Metro West Building).

Because under the law GSA was the only agency which could enter into purchase contract agreements, it is responsible for making the actual payments. Each year SSA budgets for these payments based upon estimates provided by GSA. Using GSA's estimates, SSA is requesting $29,764,569 in new budget authority for purchase contract payments in FY 1991. The construction of these buildings was financed by the sale of participation certificates.

In FY 1987, SSA authorized GSA to liquidate part of the remaining mortgage balances on the three SSA program service center buildings. The Office of Inspector General, HHS recommended that SSA liquidate the mortgage balances on these buildings in order to save trust fund money due to:

- elimination of the Government's liability for local property taxes once title to the property is transferred to the Government; and
- avoiding the higher interest rates that are paid on the mortgages than are earned on investments of trust fund money.

GSA was able to liquidate portions of these mortgages because LAE funds were available which otherwise would have lapsed. If opportunities arise in the future for SSA to liquidate more of the purchase contract balance, thereby saving money for the trust funds, we will do so.

III. Unobligated Balances

SSA estimates that the construction account will have a remaining unobligated balance of $7,126,818 at the end of FY 1991 as shown below:

Unobligated balance as of September 30, 1989	$7,505,018
Less FY 1990 construction obligations	-378,200
Less FY 1991 construction obligations	-0-
Estimated unobligated balance as of September 30, 1991 .	$7,126,818

Social Security Administration

Detail of Permanent Positions (All Programs)

	1989 Actual	1990 Estimate	1991 Estimate
Executive Level IV	1	1	1
Subtotal	1	1	1
ES-5	6	6	6
ES-4	34	35	35
ES-3	17	18	18
ES-2	8	8	8
ES-1	6	6	6
Subtotal	71	73	73
GS-17	0	0	0
GS-16	8	8	8
GS-GM-15	1,109	1,090	1,090
GS-GM-14	1,177	1,160	1,160
GS-GM-13	2,631	2,590	2,590
GS-12	5,613	5,530	5,530
GS-11	5,602	5,510	5,510
GS-10	14,731	14,502	14,502
GS-9	3,266	3,220	3,220
GS-8	3,927	3,870	3,870
GS-7	8,552	8,410	8,410
GS-6	3,034	2,980	2,980
GS-5	6,028	6,070	6,070
GS-4	8,803	8,960	8,960
GS-3	1,343	1,320	1,320
GS-2	158	160	160
GS-1	3	3	3
Subtotal	65,985	65,383	65,383
Ungraded	543	543	543
Total Permanent Positions	66,600	66,000	66,000
Unfilled Positions, End-of-Year	5,939	5,000	5,000
Total Permanent Employment, End-of-Year	60,661	61,000	61,000

NOTE: FY 1989 and FY 1990 numbers have been adjusted for functional transfers reflected in the FY 1991 budget request, in order to be shown comparably with the FY 1991 estimates.

Advisory and Assistance Services

Limitation on Administrative Expenses

1989	1990	1991
$556,941	$1,512,000	$1,798,000

SSA utilizes consultant services to perform activities that are needed to improve program administration, carry out congressional mandates or implement public laws, but for which SSA does not have the required expertise or resources. SSA closely monitors the use of consultant services to assure that these services are utilized only where SSA cannot perform the service with in-house staff. In addition, SSA has an internal control process in place, and all proposed consultant service contracts are reviewed prior to contracting to ensure adherence to established budget and programmatic controls.

During fiscal year (FY) 1989, SSA utilized consultant support to initiate a review of SSA's major work sampling systems and recommend alternative approaches to these existing systems. These alternative approaches will be piloted during FY 1990 and a consultant will be used to set up and evaluate the pilot projects. In FY 1991, SSA will use a consultant to complete implementation of the new work measurement system and validate its effectiveness. Other major FY 1989 consulting services included contracts to assist in processing backlogged discrimination complaint cases, a contract to conduct compliance reviews in the State disability determination services (DDSs) which will determine if the DDSs are collecting and reporting data in conformance with established procedures, and contracts with nongovernmental reviewers to review grant proposals received by SSA. Department of Health and Human Services procedures require that grant proposals be reviewed by persons outside the decision funding authority.

SSA plans for FY 1990 and FY 1991 include consultant support to continue work on the new work measurement system; to continue to review grant proposals; to provide technical advice to ensure that SSA's disability program policy and procedures reflect current medicine; to develop a system to measure the impact of ongoing policy and procedural changes on the cost of making a disability determination; to conduct a survey of SSA employees' concerns; and to review SSA's employee counseling and health delivery processes to determine the most efficient way to deliver these services.

ADVISORY AND ASSISTANCE SERVICES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION
Limitation on Administrative Expenses

(In Thousands of Dollars)

Account Title and Symbol		1989	1990	1991
Limitation on Administrative Expenses No. 20-8704				
I. Contractual Services				
Individual Experts & Consultants	B.A.	249	926	1,374
	Oblig.	249	926	1,374
	Outlays	249	926	1,374
Studies, Analyses & Evaluations	B.A.	208	534	395
	Oblig.	208	534	395
	Outlays	208	534	395
Management & Professional Support Svcs.	B.A.	100	--	--
	Oblig.	100	--	--
	Outlays	100	--	--
Engineering & Technical Services.	B.A.	--	--	--
	Oblig.	--	--	--
	Outlays	--	--	--
Subtotal	B.A.	557	1,460	1,769
	Oblig.	557	1,460	1,769
	Outlays	557	1,460	1,769
II. Personnel Appointments	B.A.	--	--	--
	Oblig.	--	--	--
	Outlays	--	--	--
III. Advisory Committees	B.A.	--	52	29
	Oblig.	--	52	29
	Outlays	--	52	29
TOTAL	B.A.	557	1,512	1,798
	Oblig.	557	1,512	1,798
	Outlays	557	1,512	1,798

TUESDAY, MARCH 27, 1990.

OFFICE OF HUMAN DEVELOPMENT SERVICES

WITNESSES

MARY SHEILA GALL, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

WADE F. HORN, Ph.D., COMMISSIONER, ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES

JOYCE T. BERRY, Ph.D., COMMISSIONER, ADMINISTRATION OF AGING

DEBORAH L. McFADDEN, COMMISSIONER, ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

S. TIMOTHY WAPATO, COMMISSIONER, ADMINISTRATION FOR NATIVE AMERICANS

ROBERT STOVENOUR, DIRECTOR, OFFICE OF MANAGEMENT SERVICES

DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. NATCHER. At this time we take up the budget request for fiscal year 1991 for the Office of Human Development Services.

We have before the committee Ms. Sheila Gall, the Assistant Secretary. Now, Ms. Gall, before we take up your statement, tell us who you have with you there at the table please.

Ms. GALL. My distinguished colleagues are Dr. Joyce Berry, Commissioner for the Administration on Aging, Dr. Deborah McFadden, Commissioner for the Administration on Developmental Disabilities, Bob Stovenour, Director for the Office of Management Services, Dr. Horn, Commissioner for the Administration for Children, Youth and Families, Tim Wapato, Commissioner for the Administration for Native Americans, and Dennis Williams for our budget division at HHS.

Mr. NATCHER. Thank you, very much. Now we will be pleased to hear from you.

OPENING STATEMENT

Ms. GALL. Thank you, sir.

I have an official statement for the record. I will make these remarks very brief.

First of all, I am delighted to be here this afternoon to talk about two favorite subjects, Human Development Services programs and money for Human Development Services programs. Our request is $8,600,000,000 which includes: $2,800,000,000 for the Social Services Block Grant, $3,300,000,000 for Human Development Services; and $2,420,000,000 for Payments to States for Foster Care and Adoption Assistance.

The full authorization of $2,800,000,000 is requested for the Social Services Block Grant to continue support for a variety of social services in each state.

We are very concerned about the impact of substance abuse on our families and many other challenges our families face today. We have asked for specific increases in our budget request to increase preventive and reunification services for children and their families, to expand Head Start enrollment and to address the growing problems of HIV-infected and drug dependent infants.

To address the growing needs of families who are called upon to deal with increasingly difficult problems, such as drug abuse, a legislative proposal will be submitted which will increase the incentive funds available to states for child welfare services and stem the rapid rise of foster care administrative costs. The fact that administrative costs are or soon will be higher than maintenance costs in some states is a concern to all of us. Limiting increases in this area to 10 percent per state each year, while at the same time increasing support for Child Welfare Services with a focus on preventive and reunification services, will result in assuring that federal dollars are supporting services directly related to preventing inappropriate placements. Foster Care Maintenance Payments on behalf of children will remain an open-ended entitlement.

The request for Head Start of $1,886,000,000, an increase of $500,000,000 over the 1990 level, will serve over 668,000 children and their families, an increase of up to 180,000 children over the number served in 1990. We have a request of $13,500,000 for child welfare research and demonstration which is an increase of $6,000,000 over the 1990 comparable level. This increase will support one-time demonstration projects designed to find innovative ways to meet the immediate nonmedical needs of infants born of crack-cocaine using mothers and HIV-infected children, and to increase access to comprehensive multidisciplinary services.

The budget also includes an additional $1,000,000 to support the 1991 White House Conference on Aging which will help the President, the Congress, the aging community, and citizens of all ages to develop an aging-related policy agenda for the coming decade.

The 1991 budget proposed to maintain 1990 funding levels for the remaining Human Development Services discretionary programs. Service levels will be maintained and, to the extent possible, increased as a result of management and program operation efficiencies.

I will stop there and allow sufficient time for questions for all of us.

[The information follows:]

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Statement by the Assistant Secretary for Human Development Services

Mr. Chairman and Members of the Committee:

I am pleased to have the opportunity to talk to you about the Office of Human Development Services' budget request for Fiscal Year 1991. The request of $8.6 billion includes: $2.8 billion for the Social Services Block Grant; $3.33 billion for Human Development Services; and $2.42 billion for Payments to States for Foster Care and Adoption Assistance.

The full authorization of $2.8 billion is requested for the Social Services Block Grant to continue support for a variety of social services in each State.

Within the Human Development Services request, strengthening the family is a primary concern. Increases have been requested: to increase preventive and reunification services for children and their families, to expand Head Start enrollment, and to address the growing problems of drug dependent and HIV-infected infants.

To address the growing needs of families who are called upon to deal with increasingly difficult problems, such as drug abuse, a legislative proposal will be submitted which will increase the incentive funds available to States for child welfare services and stem the rapid rise of Foster Care administrative costs. The fact that administrative costs are or soon will be higher than maintenance costs in some states is a concern to all of us. This escalation of administrative costs has not been correlated with improvements in the quality or quantity of services to children. Limiting increases in this area to ten percent per State each year, while at the same time increasing support for Child Welfare Services with a focus on preventive and reunification services, will result in assuring that Federal dollars are supporting services directly related to preventing inappropriate placements. Foster Care Maintenance Payments on behalf of children will remain an open-ended entitlement.

The request for Head Start of $1.89 billion, an increase of $500 million over the 1990 level, will serve over 668 thousand children and their families, an increase of up to 180 thousand children over the number served in 1990. Research has shown that Head Start makes a difference to both children and parents: children who have had a Head Start experience are healthier, better adjusted and do better upon entering school than their socio-economic peers; and Head Start parents have higher self-esteem and are better able to assume responsibility as the primary educator of their children.

The request of $13.5 million for Child Welfare Research and Demonstration is an increase of $6 million over the 1990 comparable level. This increase will support one-time demonstration projects designed to find innovative ways to meet the immediate nonmedical needs of infants born of crack-cocaine using mothers and HIV-infected children, and to increase access to comprehensive multidisciplinary services.

The budget also includes an additional $1 million to support the 1991 White House Conference on Aging which will help the President, the Congress, the aging community, and citizens of all ages to develop an aging-related policy agenda for the coming decade.

The 1991 budget proposes to maintain 1990 funding levels for the remaining Human Development Services discretionary programs. Service levels will be maintained and, to the extent possible, increased as a result of management and program operation efficiencies.

For Payments to States for Foster Care and Adoption Assistance, $2.47 billion is requested, after a transfer of $47.4 million to child welfare services. This request is an increase of $1.1 billion over the 1990 enacted level.

- A level of $1.7 billion will support maintenance payments on behalf of an estimated 205 thousand children in foster care, as well as the Federal share of State administrative and training costs.

- The request includes $544 million to fund the full estimate of allowable prior year claims.

- A level of $60 million is requested for Independent Living activities designed to prepare foster care children 16 or older to move successfully into independent living.

- A level of $150.5 million will support subsidies for families adopting children with special needs.

Thank you, Mr. Chairman. My colleagues and I will be happy to answer any questions you and the Committee may have.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Office of Human Development Services

Biographical Sketch

NAME:	Mary Sheila Gall
POSITION:	Assistant Secretary for Human Development Services
BIRTHPLACE AND DATE:	Buffalo, New York; July 19, 1949
EDUCATION:	B.A., Rosary Hill College, 1971 Additional Coursework: University of Buffalo, Trinity College (Washington, D.C.), Georgetown University
EXPERIENCE:	
Present:	Assistant Secretary for Human Development Services
1986-1989	Counselor to the Director, Office of Personnel Management
1981-1986	Deputy Domestic Policy Advisor, Office of the Vice President
1980-1981	Senior Legislative Analyst, House Republican Study Committee
1980-1981	Consultant, Reagan-Bush Presidential Campaign
1979-1980	Director of Research, George Bush for President Campaign
1977-1979	Director of Special Projects and Casework, Office of U.S. Representative Tom Coleman
1977	Scheduler, Office of U.S. Representative Jack Kemp
1971-1977	Director of Regional Office, Office of U.S. Senator James L. Buckley

ASSISTANT SECRETARY'S BACKGROUND

Mr. NATCHER. Thank you, Ms. Gall. How long have you been on board as the assistant secretary?

Ms. GALL. Almost a year now, sir.

Mr. NATCHER. Tell us about your previous employment background.

Ms. GALL. I have been involved in the Federal Government for over 15 years. I worked for many years up here on Capitol Hill for Senator Buckley, Jack Kemp, Tom Coleman. I worked as domestic policy advisor to Vice President Bush at the White House.

I had recently worked as counselor to the Director of the Office of Personnel Management. I also chaired President Reagan's task force on adoption.

ORGANIZATIONAL ISSUES

Mr. NATCHER. Have you made any significant management or organizational changes since taking office?

Ms. GALL. Sir, one our our biggest objectives, in addition to developing new and innovative ways of service delivery to our constituents, is to improve management with increased monitoring of programs, increased automation of services.

We also are focusing attention on grant programs, making sure that the information we collect from research grants, for example, is disseminated to others and is put to good use. We found that sometimes in the past while we have gotten some terrific information from our research projects that that information has not been disseminated properly so that others can make the best possible use of it.

Those are the kinds of things we are looking at now.

Mr. NATCHER. Does the Commissioner on Aging report to you or directly to the Secretary?

Ms. GALL. The Commissioner on Aging reports directly to the Secretary. We provide some administrative and financial services for her. We work very closely together. We are very supportive of each other's operations and we have a number of projects that we are working on jointly with an inter-generational approach, projects that would involve children and senior citizens as well.

Mr. NATCHER. Does your office control the salaries and expenses budget of the Administration on Aging?

Ms. GALL. Joyce makes decisions about salary and we help with budget and management. She is in control of her staff and programs.

Mr. NATCHER. What is the dollar amount of that budget and how many staff are involved?

Ms. GALL. Joyce, do you want to answer that?

Dr. BERRY. We have a program budget of approximately $750,000,000, the bulk of which goes for congregate meals at the meal sites. We also provide supportive services and assistance to the frail and assistance to the Native Americans.

Mr. NATCHER. What about your staffing budget?

Dr. BERRY. I have approximately 160 staff, 81 of whom are in the regional offices and 78 in the Washington offices. I do make decisions in terms of my hiring and staffing allocations.

I must say that I have been very fortunate to receive appropriate assistance in terms of logistical and administrative support from the Office of Human Development Services.

Our travel budget, for example, doubled in fiscal year 1990. We have additional acceptances to our request for space and other issues as well.

Mr. NATCHER. Money-wise, how much do you have as far as staff is concerned in your part of the budget?

Dr. BERRY. I will defer to Dennis.

Mr. WILLIAMS. Mr. Chairman, I don't have the precise number of dollars for the budget. Perhaps we can provide it for the record.

[The information follows:]

SALARIES AND BENEFITS FOR AoA

Salaries and benefits for the Administration on Aging are running at about the $9 million level in total. This amount includes support for both headquarters and regional staff.

Mr. NATCHER. Last year we were told the Assistant Secretary for Management and Budget was doing a study of the organizational structure and placement of the Administration on Aging. What were the general findings of that study? Can you tell us about it?

Ms. GALL. Dennis.

Mr. WILLIAMS. Mr. Chairman, the study was done a little over a year ago. With the change in Administration and new leadership, as has been demonstrated here today, a very good working relationship has developed within the Office of Human Development Services. So we have decided that is the best working relationship and the study was concluded at that point.

Ms. GALL. I think the Secretary strongly supports the system that we have right now.

MAJOR OBJECTIVES OF THE AGENCY

Mr. NATCHER. Now generally speaking, what are your major objectives for the agency in the coming year?

Ms. GALL. One of our biggest concerns, Mr. Chairman, is the impact of substance abuse on the family. When we look at the growing numbers of child abuse cases reported or the increasing numbers of drug exposed infants as a result of drug using women parenting, this is a major concern.

We have an increasing number of folks who are getting older and we have to look at how best we can serve those individuals as well. We have some special interest programs with development disabilities. We have the opportunity with the 1990 development disability report about to come to Congress to take a new and fresh look at how we are serving our disabled population and how we can best improve programs for integration into the community and productivity and other concerns we have about that population.

Another area we have a particular interest in with the Administration on Native Americans is how best to stimulate local economic concerns for our Native Americans and improve their situations.

Within Children, Youth and Families we have again the target of improving the situation of families faced with new challenges. We are gearing up in terms of efforts of foster care and adoption. One of the concerns I have, sir, is that we have heard a lot of talk about a return to orphanages. I think that is a sad way to look at the future for our young children.

We are hoping to make improvements in the foster care system. We have a very full plate and we are excited about looking at it.

Mr. NATCHER. Are your top positions in the agency filled at the present time?

Ms. GALL. Yes, sir.

EFFECT OF GRAMM-RUDMAN

Mr. NATCHER. In 1990 the agency incurred a sequester under Gramm-Rudman of $80,273,000. Has this had a serious impact on the agencies or on your programs generally?

Ms. GALL. Yes. Bob, do you want to answer that directly?

Mr. STOVENOUR. Mr. Chairman, the impact of Gramm-Rudman basically resulted in a reduction of our 1990 appropriations level of $80,273,000. No significant programmatic changes were necessitated.

PROGRAMS NEEDING REAUTHORIZATION

Mr. NATCHER. Which of your programs are not currently authorized for 1991?

Ms. GALL. Head Start needs to be reauthorized. Child development associate scholarships, dependent care planning and development. The Developmental Disabilities program needs to be reauthorized and in the Native American program, the Native Hawaiian revolving loan funds will expire September 30. We are not seeking reauthorization for the Native Hawaiian Reauthorization Fund.

Mr. NATCHER. Going back now to the sequester, were the sequester amounts restored in the 1991 budget?

LEVELS IN THE 1991 REQUEST

Mr. STOVENOUR. Basically our 1991 budget carries forward with the exception of the increases we are requesting, the appropriation level in 1990.

Mr. NATCHER. With the major exception of Head Start, would you say that your 1991 request is basically a status quo budget?

Ms. GALL. Generally speaking, that is correct. We have some exceptions.

Mr. NATCHER. Why have you not requested a cost of living increase for most of your programs, or did you and were turned down?

Ms. GALL. With a number of the programs we have right now we feel we will be able to serve through tightening management and some other internal processes that are taking place within HDS. We feel we will be able to serve and serve well the various populations that our programs reach.

HEAD START INCREASE

Mr. NATCHER. You are requesting, as you know, a $500,000,000 increase for Head Start, or 36 percent. This is one of the largest increases proposed in the budget, the President's budget, for 1991, as you know. How are you planning to utilize the requested increase of $500,000,000 in 1991? How will it be used?

Ms. GALL. Sir, the President's goal in requesting the $500,000,000 is to increase by up to 180,000 the number of children served by the Head Start program.

Mr. NATCHER. Over the 1990 level, what would the increase be, 180,000?

Ms. GALL. Yes, up to 180,000 new children.

HEAD START TEACHERS

Mr. NATCHER. Are you giving consideration to raising teachers' salaries?

Ms. GALL. Sir, in our fiscal year 1990 budget we have allocated $49.3 million to provide approximately a 5.4 percent increase in teachers' salaries. The fiscal year 1991 budget request reflects the President's goal of increasing the number of slots, increasing the number of children who will have access to Head Start for the first time.

Mr. NATCHER. What is the average Head Start teacher's salary at the present time?

Ms. GALL. Wade, do you want to respond?

Dr. HORN. This year we estimate the average Head Start teacher's salary is approximately $13,200 per year.

Mr. NATCHER. What is the annual average turn-over rate among the Head Start teachers?

Dr. HORN. The annual average turnover rate is 17 percent which compares quite favorably to a recent study of turn-over in the child care field in general, which indicated an annual staff turn-over of about 41 percent.

Ms. GALL. If I may add one thing, Mr. Chairman, I think it is important to note that in the last five years the increases that the Head Start program has received, the majority of that money has been targeted specifically to teachers' salaries and other fringe benefits.

NUMBER OF CHILDREN IN HEAD START

Mr. NATCHER. How many children would be served by Head Start in 1989 and 1990 and in 1991 under this proposal before the committee?

Ms. GALL. In FY 1989, Head Start served 450,970 children. The estimated enrollment in FY 1990 is 488,470. With the increase requested for FY 1991, we estimate that we will serve approximately 668,000 children in Head Start. We will be serving over 60 percent of the eligible children throughout the United States.

We are very proud of that, I might add.

Mr. NATCHER. Are these primarily four-year olds?

Ms. GALL. With the expansion, the increased enrollment, we are interested in serving as many children as possible before they enter their first year in the regular school system. Because all 50 states provide kindergarten for children, we are going on the assumption that many of the children who will be newly enrolled will be age four, but we are not in any way prohibiting the use of funding to serve three-year olds or others who are already enrolled in the program.

But yes, our target is to try and reach as many children as possible before they enter the first year of the school system.

Mr. **Natcher**. Does the Administration plan to eventually expand Head Start to cover all eligible children?

Ms. **Gall**. I believe that is the President's goal, sir, yes.

Mr. **Natcher**. What would be the estimated cost if this takes place? Do you have any idea as to the cost?

Dr. **Horn**. Mr. Chairman, I think one has to be clear what one is talking about in terms of expanding to reach all eligible children. We have a number of break downs in terms of that figure.

If you are talking about reaching all eligible children for at least one year prior to entering the public school system, not counting the $500,000,000 request we are asking for for fiscal year 1991, and assuming that about 20 percent of the eligible population are either enrolled in other state-run pre-school programs or are not interested in being enrolled in the Head Start program, our estimate is that $1,000,000,000 would be required.

If one assumes the $500,000,000 increase for 1991 is eventually appropriated, then an additional $500,000,000 would be required to reach all eligible children for at least one year.

RESOURCE NEEDS FOR HEAD START EXPANSION

Mr. **Natcher**. The $500,000,000 increase for Head Start was not decided on until the very end of the Executive Branch budget process, as we understand it.

Was your salaries and expenses budget adjusted upward accordingly or were you required to absorb any additional administrative costs and staffing requirements?

Ms. **Gall**. I think it is safe to say we took that into consideration. Certainly in our S&E account, we took a look at what increases would be best to serve additional children. We are taking a look internally at additional FTE's that may be required as a result of the large Head Start increase in the out years.

Mr. **Natcher**. For the record, if you will, give the committee your best judgment as to whether additional staff and resources are needed to handle this expansion. If so, tell us what would be a reasonable estimate for the additional staff and resources.

Ms. **Gall**. We recognize that we will need additional staff and resources in order to meet the President's goal and the expansion of the additional $500,000,000. We are in the process of making an evaluation of our coming needs.

We will be happy to provide that for the record to you as soon as we are completed with that.

[The information follows:]

Head Start Staffing

Preliminary estimates of staffing and resource needs associated with implementing the $500 million Head Start expansion in 1991 indicate that between $4 to $4.5 million is needed to support 60–65 additional staff. Most of the additional personnel, approximately 55, would perform the grants processing and management, program monitoring and technical assistance functions in the regions that are critical to the effective implementation of a Head Start expansion of this size. The remaining staff would provide policy and program development and training and technical assistance leadership on the national level. Of course, these estimates still need to be finalized and are subject to revision.

As indicated, the estimate of additional resources assumes a final appropriation in line with the President's request of a $500 million increase for Head Start. There are several undetermined variables that could significantly alter the level of additional resources needed, including the final amount of expansion funds appropriated, and enactment of any child care legislation which may expand or impose additional requirements on Head Start, or other OHDS programs.

Mr. NATCHER. Why is it necessary to use $300,000 of Head Start program money to pay for federal staff travel?

Ms. GALL. Much of that is for monitoring. We feel the Head Start grantees should be monitored once every three years to assure high quality services.

Mr. NATCHER. Shouldn't this be part of the salaries and expenses portion of the budget?

Ms. GALL. I believe we felt it was important to specifically identify amount we were using for that specific purpose, because we consider that very important to maintaining a quality program and do not believe it should be subject to the cuts in the salaries and expenses account.

Mr. NATCHER. That, Mr. Williams, is not standard practice, is it?

Mr. WILLIAMS. I think, Mr. Chairman, it varies depending on the particular authorities and situation. In the Public Health Service and other places we have salaries and expense lines that are very closely associated with program dollars and there this is often done.

I think in this particular case there is a separate salaries and expense line which goes for the entire appropriation which goes for a full range of activities.

It is perhaps more of a gray area but to the extent that dollars are clearly devoted to the activity itself, I think that this is not inappropriate.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. Mrs. Gall, I join the Chairman in welcoming you before our committee today. You have a lot of responsibility resting on your shoulders. The people who depend on the programs run by your office are counting on you to deliver the goods. We will help you do that.

HEAD START INCREASES

The budget is putting $500,000,000 more into Head Start. I submitted a bill authorizing this increase.

Will any of the proposed increases be available for training, technical assistance or other Head Start activities?

Ms. GALL. As we look at an expansion of up to 180,000 children, we understand there will be a need for technical assistance to our current grantees and others coming into the system.

Certainly, we will be more than happy to provide that.

Mr. CONTE. If there are any major delays in legislation authorizing this increase, how will they affect your plans? You know this committee has had a record of not putting any money in that is not authorized.

Dr. HORN. One needs as much time as one can get to distribute $500,000,000 into a program, if that is the amount eventually appropriated, and we hope that it will be appropriated as quickly as possible.

Mr. CONTE. I think you missed the point. If it is not authorized, then we cannot put the money in here. You would not have any money at all. If you have that delay, how will that affect your plans?

Dr. HORN. It is my understanding that the authorization vehicle is moving quickly and that no delay is anticipated.

Mr. CONTE. I hope you are right. I have heard that story before.

Dr. HORN. Being relatively new to government myself I have learned that quickly is a relative term. It is our hope that the authorization vehicle will be passed in time so that the expansion request can be appropriated this year.

TEACHERS' SALARIES

Mr. CONTE. Maybe you can put something in the record if it is going to affect your plan. I hope it doesn't. More than half the Head Start teachers now earn less than $10,000 a year. Do you know how much it would take to bring the Head Start teachers up to the preschool teachers at schools with the same training?

Dr. HORN. Approximately 4,500 of 19,400 Head Start teachers have college degrees and thus have comparable educational backgrounds to public school teachers. To bring these teachers to salaries comparable to those of public school teachers would require an estimated $45 million. We have no estimates on what would be required to achieve comparability for non-degree teachers because of difficulty in determining what type of position should be used to determine comparability. One has to be careful when one considers the issue of comparability. One of the things Head Start has been successful at is a vehicle toward moving parents of Head Start children toward self-sufficiency.

One of the important routes for that movement toward self-sufficiency is the Head Start program itself. About 35 percent of all paid staff within the Head Start program are parents of former children in the Head Start program.

If one were to achieve 100 percent comparability for all staff in Head Start, it is possible that that would shut out that avenue for many parents of children in Head Start. So one has to be careful.

We are not insensitive to the issue of salaries in Head Start. As the Assistant Secretary has mentioned, of the $346,000,000 of increases appropriated since 1985, nearly $200,000,000 of those increases have gone to improving teachers' salaries, increasing fringe benefits and offsetting increased operating costs. That includes the nearly $50,000,000 that will be used this year for that purpose.

So we are not insensitive to the issue of low teacher salaries. However, I think one has to be careful that we don't do anything which might prevent or somehow shut out an avenue that many parents in Head Start have taken advantage of to improve self-sufficiency.

COORDINATION WITH STATES

Mr. CONTE. More than half the states now fund preschool programs. What is being done to facilitate coordination between what the states are doing and Head Start? How has Head Start responded to the increase in state provided services?

Dr. **Horn**. There are a number of issues we are undertaking that we think will enhance our ability to coordinate State and Federal funding streams.

First of all, we will be proposing a demonstration program in 10 states of high level state coordinators, in the office of the governors, to coordinate federal funds and state Head Start funds. We would like to reserve a portion of the $500,000,000 increase in 1991 to begin a state initiative matching pool. Under this proposal, states which have appropriated funds directly the Head Start program would be eligible for a match from that incentive pool.

We believe we can reserve approximately $73 million in fiscal year 1991 to implement that state matching program.

REGIONAL OFFICES

Mr. **Conte**. Last year there was a major reorganization of Head Start at the regional level. What is the current status of this restructuring? Are staff levels sufficient at the regional levels to conduct training and monitoring?

Dr. **Horn**. The reorganization plan is currently in the Assistant Secretary's office for review. It presented no problem for us in terms of our ability to communicate with the regional offices as well as with Head Start grantees.

We have a great deal of cooperation and coordination there. So I don't foresee that the reorganization plan under consideration would have a great deal of impact in terms of our ability to coordinate with the Regional Office.

Ms. **Gall**. If I may just add, Wade, certainly our regional offices are quite excited by the increased attention to the Head Start program, the prospects of additional funding and serving additional children.

They recognize the strong impact Head Start has on communities and families and certainly on the children. They are very enthusiastic about the monitoring efforts. So it is good news all around.

FULL DAY CARE

Mr. **Conte**. With 80 percent of Head Start programs operating only for part of the day, what is being done to help those Head Start families who need full-day child care services? Are there any estimates on how many Head Start families will be required to enroll in the new JOBS program?

Dr. **Horn**. The concept we are promoting is called Wrap Around. Under this arrangement Head Start dollars would continue to support the core services within Head Start.

Grantees are encouraged to seek additional sources of funding to expand the day for those families who may need more full-day services, particularly working families.

About 50 percent of currently enrolled parents in the Head Start program are AFDC recipients. Theoretically, that would mean 50 percent of our parent population would be eligible for the JOBS program. As you know, the JOBS program is state administered, and they don't have to enroll 100 percent of the AFDC recipients into the program.

We will be encouraging families in Head Start to enroll in the JOBS program, while at the same time encouraging states to view Head Start Centers as a viable education and training site for JOBS participants.

At the federal level, we have had considerable discussion with the Family Support Administration to encourage coordination between Head Start and the JOBS program.

Mr. CONTE. How about child care, can they provide child care?

Dr. HORN. The JOBS program is mandated to provide child care. One of the things that we think is an exciting prospect for Head Start is the idea that some job training money that is earmarked for child care could be used to extend some of our centers to full day in order to better serve working families.

However, not all families will need full-day services. That is why we talk about providing full-day services in the Wrap Around fashion only for the families who do require it.

IMPLEMENTATION OF HEAD START REGULATIONS

Mr. CONTE. Last year the committee inquired how Head Start was implementing the December 1988 regulations on class size, teacher requirements and minimum operating hours. What is the current status of implementing those regulations? What is the estimated cost of carrying out these new requirements among Head Start grantees? You can get that for the record.

Dr. HORN. I will provide that.

[The information follows:]

HEAD START REGULATIONS

After considering comments from the public, we have redrafted the proposed rule. It is being reviewed within the Department and we expect to publish it later this year in final form. We estimate it will cost $8.2 million to reduce class size and extend operating periods to conform to the proposed new requirements.

CONSOLIDATED SOCIAL SERVICES

Mr. CONTE. The fiscal year 1991 budget request puts all of the HDS accounts, except Head Start, under the category of "consolidated social services". The budget documents say that this is for display only and that each program will continue to be operated and funded separately.

So what is the purpose of lumping these programs together? Is this the first step in proposing a block grant in the future?

Mr. STOVENOUR. If I might, Mr. Conte, really the attempt there is to show the degree to which we have so many varied programs in HDS and how they relate to one another. It is only for display purposes to show you the number of programs we are operating and the level of funding.

The level of funding for those programs will be maintained in the budget.

AGING OUTREACH

Mr. CONTE. All right.

Yesterday, Mrs. King of SSA said SSI outreach is a top priority of her agency and said that she is working with you to develop outreach into an effective program.

Can you tell us what you are doing with SSA as the outreach program gets underway? How is this program being coordinated with state and area agencies on aging?

Dr. BERRY. Mr. Conte, the Secretary has directed me to work with the Social Security Administration and Health Care Financing Administration to make sure that older people understand what benefits they are eligible for under the programs administered by AOA, HCFA, and SSA.

Specifically in terms of SSI outreach, we are mandated under the 1987 amendments, while there was no appropriation, to make sure people were aware of SSI benefits and food stamps. Gwen King and I have been working under a Memorandum of Understanding.

We are also working with national organizations that are involved in national efforts to make sure older people are reached. With the additional dollars that SSA has for SSI outreach, we are collaborating, AOA and SSA.

Mr. CONTE. That sounds pretty good. I see my time is up.

Thank you.

Mr. NATCHER. Mr. Stokes, I yield to you.

Mr. STOKES. Thank you, Mr. Chairman.

ADOPTION OPPORTUNITIES PROGRAM

Mrs. Gall, I note that the adoption opportunities program would be level funded at $6,700,000 in fiscal year 1991. I am concerned about the effect this will have on the Adoption Opportunities for Minorities program. As you are aware, this program was created in recognition of the fact that minority children waited a longer time in foster care before being placed in adoptive homes.

What can you tell us about the problems of minority children who are waiting in foster homes?

Ms. GALL. I am delighted you asked me a question about adoption. I am an adoptive parent twice. I also served on President Reagan's task force on adoptions. I am particularly concerned there are high numbers of minority children available for adoption and they are growing older in foster care.

So we have a number of activities underway in addition to our program activities here in HDS. We have some special efforts through the President's adoption initiative that are targeted to all special needs children with physical and mental disabilities, whether they are in long-term foster care because they are minority children or whatever.

We have a public campaign to recruit foster but especially adoptive parents. We are working with the state legislatures to take a look at their state adoption policies and their social service agencies across the country and we are working with adoption case workers to improve case work with minority parents and other parents who will provide a permanent, loving home for them.

Mr. STOKES. In terms of minority children, what is the current magnitude of the problem? Is it getting more serious or is it getting better?

Ms. Gall. There is a disproportionatly high number of children who are minority children, additional numbers coming into care in particular because of the substance abuse problems that many of our communities are facing.

We are making several efforts. We have funded a number of programs that are successful. If you take a look at One Church, One Child, the black ministries program in our southern states, One Church-One Child in Illinois and Indiana where black ministers have been challenged to find homes in their communities for children available in the community.

It has been very successful. We are working with them and others to help find homes for these children.

Mr. Stokes. How much money will be available for this program for these children?

Ms. Gall. $6,736,000.

Mr. Stokes. Is this an adequate amount for this program?

Ms. Gall. I will tell you this, sir: I think one of the things that I am strongly convinced that we need to do is to let our communities know these children are available.

When we have stories about available children in our newspapers and our television shows, these children are placed for adoption whether they have fetal alcohol syndrome or it is a six-sibling group from an alcoholic home that wants to be placed together.

We had an incident in Los Angeles where Jessie Jackson was taping a television show that had a high number of black children available for adoption. By the time they finished the show, they could not run it on the air because most of the children had been adopted from the audience attending the taping.

I am convinced once the people know these children are available, they will be adopted and they also need to know there are special kinds of help to meet the needs the children have, whether it is respite care for disabled, assistance from mental health organizations, they need to know post-adoption services are available and that they will have assistance in meeting the medical costs or whatever special services are needed.

As you know, the President has introduced that legislative proposal to have tax deductions and other reimbursement available for federal employees for their adoption expenses.

So I think that program will work and we will see a high degree of success with it.

Mr. Stokes. On the amount of money you just quoted, I think you are talking about the total adoption program. I was trying to get from you the amount that is targeted for minority children, which I think is a different figure.

Ms. Gall. That is right, I am sorry. I will submit that for the record for you.

Mr. Stokes. That will be fine.

[The information follows:]

ADOPTION PROGRAM

In FY 1990, $720,000 is available for minority adoption placements.

RESEARCH INCREASE FOR CRACK BABIES

Mr. STOKES. Now, a $6,000,000 increase is requested for child welfare research and demonstration projects designed to find innovative ways to meet the needs of infants born to mothers who use cocaine or who are HIV-infected. What type of projects do you envision will be supported under this program?

Ms. GALL. One good example, I think, is non-medical foster care for some of the children who require special medical treatment as they leave the hospital, recruitment of special foster parents who can deal with the needs of children who are drug exposed, children who show certain symptoms who are difficult to parent, additional training for case workers.

One of the things I found, Congressman, as I traveled around the country, I have had the opportunity to sit down with case workers and physicians associated with hospitals, with a high number of crack/cocaine substance abusing moms and babies in their neonatal unit.

They are struggling mightily to provide the non-medical services these children need as they leave the hospital, the immediate needs because very often the mother or the relatives are not available to provide the loving care the child might need.

Those are some of the areas we are taking a look at right now.

Mr. STOKES. Who will be eligible for this program?

Ms. GALL. The children will be served through a variety of programs that we will be providing through special work with case workers, the foster parent program, and so on. those will be the principal targets.

LEGISLATIVE PROPOSAL FOR FOSTER CARE

Mr. STOKES. In your formal statement you mentioned "A legislative proposal will be submitted which will increase the incentive funds available to states for child welfare services and to stem the rapid rise of foster care administrative costs." Tell us a little bit about that proposal.

Ms. GALL. One of the things we have noticed over the last 10 years is that administrative costs for foster care have increased over 2800 percent, while the number of children in foster care has increased about 99 percent. The maintenance payments for children in foster care have increased abut 233 percent.

Before I go further I think it is important to understand that administrative costs don't just cover clerks and typewriters and that type of thing. We also have service-related things, case management, court appearances, et cetera.

However, we are very concerned that that is increasing to the point where by the time we reach 1991, our administrative costs will out pace our maintenance costs for our children.

That tells us that something is not working right. What we are proposing to do is to put a limit on the increase of 10 percent per state per year so there is still flexibility and increases available, but to take some of that money, $47 million and put it into the IV-B program so we can do increased preventive services so we don't take children away from families where it is not necessary.

It is so case workers can go in and provide intensive services to families and perhaps we can reunite the children. Where it is not possible to reunite those children we want to provide them with loving homes for adoption. We want to put additional funds into the 4-B program.

Mr. STOKES. Thank you.

MONITORING OF HEAD START

Mr. NATCHER. How does the agency monitor local Headstart guarantees? What system do you use?

Dr. HORN. We send out monitoring teams made up of a mixture of federal staff and other personnel knowledgeable about Head Start.

We are proposing in our re-authorization legislation that each Head Start grantee receive a full programmatic and fiscal review not less than once every three years.

Mr. NATCHER. We understand you are using an outside contractor to monitor and review local grantees. Why do you use this procedure?

Dr. HORN. That is a support contract only. We don't use the contractor, per se, to actually monitor the grantees.

What the contractor does is assemble the team from lists provided by the regional office, both in terms of regional staff available as well as the other non-Federal reviewers.

The contractor simply provides logistics, gets the team together, makes travel arrangements, et cetera. The contractor currently pays only for the travel of the peer reviewers, not the federal staff.

One of the things that we are requesting in the 1991 budget is that $300,000 be reserved for federal staff travel to ensure that there will be adequate funds for federal staff to be included on each of the monitoring teams.

Mr. NATCHER. How much are you paying the contractor?

Dr. HORN. It is estimate the contract will be supported by $2.2 million in FY 1991.

HEAD START INCENTIVE PROJECTS

Mr. NATCHER. On page 64 you indicate that you set aside $73 million to be used as Head Start incentive funds. What is the purpose for this?

Dr. HORN. The idea is to try to encourage states to join in partnership with the Federal Government in terms of joining Head Start so we can reach as many eligible children as possible. The idea is if states appropriate money to serve Head Start children, we would allocate additional funds to those states' Head Start programs. For this purpose we expect to allocate somewhere between $73 and $90 million depending on the amount finally appropriated in terms of the $500 million increase.

Mr. NATCHER. Has this been done before?

Dr. HORN. No, it has not, not to my knowledge.

Mr. NATCHER. How did you reach the amount that you are using here?

Dr. Horn. According to statute we must distribute 87 percent of the total budget amount for the Head Start program based on a state formula. Thirteen percent of the total funds can be used for other activities.

From that 13 percent discretionary pot we must first dedicate funds for training and technical assistance, research, demonstrations, evaluation, and funds to support the Indian and migrant Head Start programs and programs in the Trust Territories.

Once you back those funds out, you have money available for other discretionary activities. With the large increase we are asking for in 1991, we have requested between $73 and $90 million for such a purpose.

HEAD START EVALUATION

Mr. Natcher. Last year we were told that a full scale evaluation of Head Start was being planned. What is the status of this proposal?

Dr. Horn. As a first step toward that reevaluation plan we have convened a national panel of experts to come up with recommendations for the Office of Human Development Services in terms of the best way to go in this effort.

We are trying to move away from what we think is an overly simplistic question of does Head Start work, and move toward a second generation of evaluation questions which are more complex, such as when does Head Start best work, under what conditions, with what type of children is it most effective, et cetera. With this information we will be able to more effectively use the resources available to us.

Mr. Natcher. When would you hope to have a full evaluation completed?

Dr. Horn. It is probably premature to determine that. We will have by this summer the report of the evaluation panel for both Assistant Secretary Gall and myself to consider. We will then decide which options they lay out for us are the most appropriate to pursue.

HEAD START INCREASE

Mr. Natcher. In 1990 we had an increase in Head Start of $151,315,000. How have you allocated that increase?

Dr. Horn. Approximately $49.3 million will go toward increasing staff salaries. Approximately $2 million will go toward increasing amounts available for training and technical assistance.

The remainder will go toward expanding Head Start in terms of the number of children we serve.

Mr. Natcher. Is this about the same ratio that you use on the $500 million?

Dr. Horn. No, we are asking that all $500 million be used to expand Head Start by up to 180,000 additional children.

Mr. Natcher. How are the increased funds actually allocated down to the state and local levels?

How do you do this?

Dr. Horn. We apply the state formula to ensure that the proper amounts are going to each of the states.

At that point, we take a look at where the unmet need for Head Start is, and make decisions as to whether or not there is an existing grantee who can, in fact, serve those existing children.

If there is we ask those grantees to apply for the expansion money so that they can serve those children who are currently unserved.

If there is no grantee who is able to or willing to provide those services, then we hold a competition to determine if we can find a new grantee to serve that particular area of that state.

FOSTER CARE ADMINISTRATIVE COSTS

Mr. NATCHER. Is the Administration planning to submit proposed legislation to change the foster care program?

Ms. GALL. We have the legislative proposal, sir, to address the administrative costs.

Mr. NATCHER. What is the proposal?

Ms. GALL. The proposal would limit the rate of growth for administrative costs. As I mentioned earlier we have seen an increase over the last 10 years of 2800 percent in the amount of money related to do administrative costs, while the rise in the number of children and of maintenance payments have gone nowhere near that figure. That is a clear signal that something is wrong.

We are proposing a limit in the growth of the administrative costs for title IV-E Foster Care per state, per year while leaving maintenance payments and training as open-ended entitlements.

Let me add, sir, that that is a first and important step in making changes in the foster care program. We are also addressing the issue of foster care reviews through the 427 program and making significant changes in that as well. There are a number of other issues that we will be addressing in the coming year.

Mr. NATCHER. When will this proposal be submitted to Congress?

Ms. GALL. Within the next month it should be submitted.

Mr. NATCHER. Are you also asking the Appropriations Committee for special point of order bill language to accomplish the same thing?

Ms. GALL. Yes, sir, we are.

Mr. NATCHER. Why not do this through the regular legislative committees instead of coming to our Committee on Appropriations and asking us for this special point of order?

Why don't you go to the regular authorizing committees and do it head-on?

Mr. STOVENOUR. As the Assistant Secretary said, we consider this to be quite an urgent matter and we thought it was an appropriate way to address the issue through the Appropriations Committee, as well as through the authorizing committee.

Mr. NATCHER. Administrative costs in the foster care program has a much broader meaning than just salaries and expenses, is that correct?

Ms. GALL. Yes, sir. There are expenses related to services for children, case management, court reviews and so on are partially addressed through the administrative costs. It is very misleading, of course.

Mr. **Natcher**. For the record, if you will, provide a full explanation of the meaning of administrative costs in this program.

[The information follows:]

Foster Care Administrative Costs

Allowable administrative costs under title IV-E Foster Care include:

(1) The determination and redetermination of eligibility, fair hearings and appeals, rate setting and other costs directly related only to the administration of the foster care program under this part are deemed allowable administrative costs under this paragraph. They may not be claimed under any other section or Federal program.

(2) The following are examples of allowable administrative costs necessary for the administration of the foster care program:

- —referral to services;
- —preparation for and participation in judicial determinations;
- —placement of the child;
- —development of the case plan;
- —case reviews;
- —case management and supervision;
- —recruitment and licensing of foster homes and institutions;
- —rate setting; and
- —a proportionate share of related agency overhead.

Mr. **Natcher**. Mr. Conte?

STAFFING LEVELS IN AGING PROGRAMS

Mr. **Conte**. Can you tell me what the current staffing level is at AoA?

Dr. **Berry**. We have 81 staff members, Mr. Conte, in the field. We have 10 regional offices and approximately 78 staff here in Washington.

Mr. **Conte**. Is this staff sufficient to undertake the additional responsibilities Congress has mandated over the years?

Dr. **Berry**. I think clearly with the growing numbers of older persons we have a challenge ahead of us. I think we have placed more emphasis on Title II of the Older Americans Act, which calls for the Commissioner on Aging to try to establish linkages with other federal agencies. That is why we have a memorandum of understanding with Department of Transportation, HUD, Labor and a number of other agencies.

We don't feel we can do the job alone. It was never intended that Older Americans Act dollars be an end all.

In fact, they were intended to be seed dollars. So we are quite comfortable with trying to expand our base under Title II while not neglecting the stewardship role we have under Title III of the act.

REPORT ON UNMET NEEDS

Mr. **Conte**. A recent report submitted to Congress stated that there are many social service areas which have a substantial need for supportive and nutrition services not currently met. What are you doing to address this gap in meeting these needs. What are your priority service areas?

Dr. **Berry**. We had responsibility for reporting to Congress on the un-met needs of the older Americans across the country. The states provided the information to us which we summarized and submitted to the Congress.

Commercially, the information points to the need for additional attention to transportation services for older people, for home-delivered meals and other supportive and nutrition services.

I think what we have to do is go back to the priorities that I have laid out for the agency which have been submitted to the Congress in terms of working with the private sector.

I am setting up a commercial advisory body with a number of private sector organizations that want to work in the whole area of elderly care. I will be issuing policy guidelines concerning our network of state agencies and their work with the private sector.

They will be targeted on those with the lowest incomes, the greatest needs. There are a number of programming improvements that we can take as well.

SEQUESTER

Mr. CONTE. What is the impact of last year's sequester on the ability of the state and area agencies on aging to provide nutrition and supportive services? Get that for the record.

[The information follows:]

NUTRITION AND SUPPORTIVE SERVICES

The Administration on Aging anticipates that the aging network will be able to compensate for last year's sequester by exploring public-private sector efforts to generate added resources for services, while continuing to achieve administrative improvements in the delivery of services.

OMBUDSMAN

Mr. CONTE. The GAO reported that ombudsman services in board and care facilities are insufficient. With the vulnerability of the elderly to abuses and deceptive practices, what is your office doing to improve ombudsman oversight of these facilities?

You can provide that for the record.

[The information follows:]

OMBUDSMAN PROGRAMS

AoA is continuing its efforts to expand the capacity of Statewide long-term care ombudsman programs to improve the quality of life of older persons residing in long-term care facilities. In 1989, we awarded a three-year cooperative grant to the National Association of State Units on Aging for the creation of a National Aging Resource Center to provide training and technical assistance for the further development of the 52 State ombudsman programs.

Under this cooperative agreement, the Center is developing a number of technical assistance documents to improve the management of the program and to provide ombudsmen with the tools they need for improving the quantity and quality of ombudsmen services to older residents. The Center conducts quarterly conference calls with ombudsman and State Agency staff to discuss topics of current interest to the ombudsman program, issues a quarterly newsletter, has developed a State Ombudsman Resource Manual, and has provided training modules for State use in training local ombudsmen.

During this past year, the Center has assisted AoA in the examination of the activities of the State long-term care ombudsman programs in board and care homes. Program activities and initiatives are being developed to respond to the recommendations provided by this study. Program reports indicate that there has been a steady increase in the number of complaints ombudsmen have resolved for residents of board-and-care facilities.

MEALS LEVELS

Mr. CONTE. The number of home delivered meals has risen steadily over the years. What are your projections for the number of home delivered meals over the next few years?

Dr. BERRY. We are pleased the Congress has responded to the need of the Meals on Wheels program. We can say we provided over 252 million meals in fiscal year 1989 through our nutrition programs. We estimate 258 million meals will be provided in the fiscal year 1991.

In terms of home delivered meals we hope to serve at least 3 million older persons, most of whom are low income and many of whom are minority. In terms of the actual meal count, I would put it at close to 98 million.

Mr. CONTE. Can you share with us the figures on how many meal providers offer meals on weekends and more than one meal a day?

You can do that for the record.

[The information follows:]

MEALS LEVELS

Unfortunately, AoA no longer collects that type of data. However, in 1986, the last year data was collected for those categories, there were 337 providers which offer meals on weekends and 616 providers which offer more than one meal a day.

Mr. CONTE. Is there a need for more frequent deliveries of home delivered meals?

Put that in the record, too.

[The information follows:]

HOME-DELIVERED MEALS

Many States are undertaking efforts to expand the delivery of home-delivered meals to include weekends and holidays. Meals-on-Wheels America, a technical assistance project designed to assist communities to generate local private-sector support for home-delivered meals, is one example of public/private sector collaboration which has helped States to increase the delivery of home-delivered meals to homebound older persons.

GAO REPORT ON MANDATORY CHARGES

Mr. CONTE. GAO also put out a report saying Congress ought to be considering changing the Older Americans Act to authorize the state and area agencies to establish mandatory charges for in-home services for the elderly.

What is the department's position on this recommendation?

Dr. BERRY. I think we have to look closely as the 80-plus and vulnerable need more of our attention. We are fortunate to have a situation where our total contributions were close to $179,000,000 in 1989. That says a lot about how seniors feel about the program and how they want to expand the program.

Clearly, I think we need to give due consideration to that GAO study which, in fact, showed that with non-Title III resources, states are setting up cost sharing measures using the sliding fee scale.

I see no reason why the Administration on Aging should not pursue that possibility for the re-authorization in 1991. We are doing that in some forums we are holding in Atlanta, Philadelphia, and Denver. We are looking at the cost sharing.

Many older people want to share in the cost. We have many of them saying we don't want a handout. We want to pay.

VOLUNTARY CONTRIBUTIONS

Mr. **Conte**. The act currently allows voluntary contributions for elderly services. What has been the amount of voluntary contributions for fiscal year 1990? Estimate for fiscal year 1990?

Dr. **Berry**. The contributions grew from $168 million in 1988 to $179 million in 1989. I will have to give you the information for the record for the estimate for 1990.

[The information follows:]

Voluntary Contributions for Elderly Services

It is estimated that contributions for 1990 will total $180.5 million.

Mr. **Conte**. That is fantastic.

Dr. **Berry**. Yes.

COMPREHENSIVE CHILD DEVELOPMENT CENTERS

Mr. **Conte**. What progress is being made by the comprehensive child development centers in integrating supportive services for children in low-income families?

Why are no planning grants being proposed in this budget?

Dr. **Horn**. Congressman, last year we funded 30 planning grants for the comprehensive child development program. Following those planning grants we then awarded 22 grants to actually open the CCDC programs. That exhausted our funds for that year.

This year we have a little bit of additional funds. What we choose to do with those additional funds is to fund a couple of more programs that were worthy of being funded last year but we ran out of money before we got to where they were in the list in terms of priority scores.

We don't have money for additional planning grants. At this time all of our money is being used for operational grants.

Mr. **Conte**. In your evaluation efforts, what criteria is being used to judge the effectiveness of a given center's activities?

Dr. **Horn**. We intend the evaluation to look comprehensively at outcome. We want to look at not only the outcome for the target child but also the family as well. We are looking at the child, the family and sibling variables.

We hope to have that contract awarded shortly. We are in final negotiations with an evaluation contractor. We should be moving forward with that very soon.

DATA ON AGING SERVICES

Mr. **Conte**. For the record, what is your office doing to improve data collection on recipients of supportive and nutrition services?

And secondly, will the new reporting procedures help to identify the most frequently provided services under the supportive services program among the various states?

AoA has been criticized in the past for not doing enough to disseminate the results of your research and demonstration projects. What efforts are being made to improve dissemination of study results?

Dr. Berry. We have assured that the grantees develop and submit to us for approval the dissemination plan which we must approve before a grant is made. We also have the opportunity in fiscal year 1991 to focus attention on dissemination and utilization.

It has been a problem at the Administration on Aging.

Mr. Conte. One last question. I will put the rest of my questions in the record and have you answer them.

WHITE HOUSE CONFERENCE

The budget request is $1 million for the White House Conference on Aging. Last year's budget did not contain funds for planning activities. No funds were set aside for conference planning activities. With these constraints do you think the conference will be held this year or will it be postponed until the next fiscal year?

Dr. Berry. Clearly, the statute authorizes a conference. It does not mandate the President to call a conference. The advocates in the field, I am sure, are hoping that President Bush will call a conference.

I am sure there are many issues on the agenda for consideration.

Many of the state agencies on aging are already involved in terms of planning pre-conference activities. I am about to set up an agency working group and we will be discussing issues related to emerging challenges as we approach the year 2000.

Frankly, I think in light of what happened in 1981, we need to carefully approach the idea of a 1991 focus to be sure it is focused, not politicized, to be sure we emphasize generational bonding and to be sure we address some of the key issues that will benefit older people.

I think that is the issue. I think that can be done with or without a conference on aging.

Mr. Conte. Thank you, Mr. Chairman.

FOSTER CARE ADMINISTRATIVE COSTS

Mr. Natcher. What is the rationale for the proposed 10 percent limitation in foster care? Why not 5 percent, why not 20 percent?

Ms. Gall. On the administrative costs, sir?

Mr. Natcher. Yes.

Ms. Gall. I believe after our internal discussions that 10 percent allows for some flexibility and some growth if necessary above the inflation rate but still maintaining a limit in the growth for the administrative costs program.

The other key component of the proposal that in my mind is just as important if not more important, is the additional funding for prevention and re-unification services for families so that children are not inappropriately placed outside the home.

Mr. Natcher. Would the proposed 10 percent limit unfairly penalize those states that have not claimed high amounts for administrative costs up to this time? Aren't you penalizing those states?

Ms. Gall. The 10 percent increase allows for a certain growth level.

I think there is sufficient and flexible growth within that 10 percent increase. We feel that the important component is the $47 million for additional child welfare services under the IV-B program.

PRIOR YEAR CLAIMS

Mr. Natcher. What is the total amount of unpaid prior year foster care claims at this time?

Ms. Gall. $544 million

In terms of the previous year claims, we have paid our outstanding claims up through 1988. We have requested additional funding to cover the 1989 and 1990 shortfalls.

Mr. Natcher. You have it in the 1991 budget?

Ms. Gall. We have a request of $544 million to cover previous year claims.

Mr. Natcher. Does this fully fund them?

Dr. Horn. We are very confident that we are fully funding 1989. 1990 is necessarily an estimate because the fiscal year is in progress and states have two years to claim administrative costs.

There is no way to be certain what that figure will finally be but we have estimated that the $544 million should fully pay the claims for 1989 and 1990.

CHILD CARE

Mr. Natcher. Can you tell us how much was spent by the states in 1989 for child care services under Title XX?

Ms. Gall. We don't have those figures. They are not reported to us.

Mr. Natcher. What is the Administration's position on child care legislation that is now before the Congress?

Dr. Horn. The Administration has always been interested in a child care proposal that will emphasize parental choice. The Administration's position has been that the most appropriate vehicle for that is through some kind of a tax proposal so that we don't penalize or in any way not support those families where the parent chooses to stay home to raise their child as opposed to putting the child in out of home care.

Mr. Natcher. Would your agency most likely be the administrative agency for any child care grant program?

Ms. Gall. Yes, we believe so. There is some discussion of additional funding for SSBG, as you know, and some other activities that would fall under our jurisdiction.

WHITE HOUSE CONFERENCE ON AGING

Mr. Natcher. Dr. Berry, you are requesting $1 million for another White House conference on aging. When was the last conference held?

Dr. Berry. In 1981. There were conferences in 1961, 1971, and 1981.

Mr. Natcher. The last one in 1981, can you tell us what it cost?

Dr. Berry. Six million dollars.

Mr. Natcher. How do you plan to finance this one with only $1 million? How would you handle it?

Dr. Berry. Well, as I mentioned to Mr. Conte, a number of state agencies on aging have already begun the process of pre-conference type planning activities. Many of them have recommendations that they are ready to make available to us.

I am about to set up an interagency working group where we will discuss issues that should be brought to the attention of the national advisory committee if the White House conference is held. We also have great interest from the private sector, from many corporations that want to be involved.

Mr. NATCHER. When do you actually plan to hold the conference?

Ms. GALL. We cannot say at this point. I hope—we are in the process of looking at options in terms of the type of conference that might be held but we are not at this point able to give you a date.

SALARIES AND EXPENSES

Mr. NATCHER. I understand that your agency has had serious difficulties in recent years with shortfalls in your salaries and expense activities.

Would you agree with that, Ms. Gall?

Ms. GALL. Yes, sir, that is true. We have experienced that and we have had a reduction in FTE over the last 10 years, a cut of about one third of our FTE at the same time we have had 14 new grant programs to administer.

Mr. NATCHER. Did you make an attempt in the 1991 budget request to correct this situation?

Mr. STOVENOUR. At the current level the 1991 situation is okay right now. We have been having some discussions about FTE. In particular we are taking a look internally as to how we will respond to the expansion of Head Start and what impact that will have on FTE needs and what additional resources we will require for the Head Start expansion.

Mr. NATCHER. Mr. Conte?

Mr. CONTE. I have no further questions.

Mr. NATCHER. Ms. Gall, we want to thank you and your associates for appearing before the committee on behalf of the budget request for fiscal year 1991.

The committee will adjourn until 10 o'clock tomorrow morning.

[The following questions were submitted for the record and the justifications follow:]

HEAD START ENROLLMENT

Mr. Natcher: On page 21 of the justification you show an increase in Head Start enrollment of only 19,260 for 1991. Is that just an error?

Ms. Gall: Yes. The increase should be 180,000.

EXPANSION PROGRAM

Mr. Natcher: Under your budget request, Head Start would be expanding by $650 million over a 2-year period, or a little over 50 percent. From an administrative and management standpoint, do we need to be concerned about possibly expanding too fast?

Ms. Gall: We think it is very important that the expansion be done in a manner which does not jeopardize the quality of Head Start programs or result in enrolling children in a program that is not equipped to serve them.

We hope to inform our grantees early next fiscal year of the FY 1991 expansion process and advise them of the specific amount of funds for which they may apply. We believe the system we developed for implementing the FY 1990 expansion will serve us well again in FY 1991 and will help assure that this expansion is carried out in a reasonable and non-disruptive manner. We will also allow grantees to delay enrolling new children for a period of time, if necesssary, to assure an orderly implementation of expansion.

Mr. Natcher: Is the agency able to handle this expansion without any serious problems?

Ms. Gall: The ability to adequately implement this expansion will be dependent in large part on the timing of the appropriation. The later in the fiscal year that we receive these funds, the more difficult it will be to make expansion grants by the end of the fiscal year. We are also reviewing additional staff and resources that will be needed to implement an expansion of this magnitude.

FOSTER CARE

Mr. Natcher: Why are you proposing to transfer $47,352,000 in 1991 from the Foster Care account to the Human Development Services account?

Ms. Gall: We have asked for the increase to be used to provide additional preventive and reunification services under the Child Welfare Services Program (title IV-B of the Social Security Act). The budget has included these funds in Foster Care to be transferred to Child Welfare Services to emphasize that the requested increase is an intregal piece of our legislative proposal to reform financing of State Child Welfare programs.

TITLE IV-B PROGRAM

Mr. Natcher: Why didn't you just request an appropriation increase in the title IV-B program, instead of proposing a transfer?

Ms. Gall: The additional funds are a part of a package along with our proposal that the increase in administrative costs be limited to ten percent per year. The intent is to transfer a portion of the savings in the IV-E program to the IV-B program.

Mr. Natcher: Is this proposed transfer authorized by law?

Ms. Gall: The moving of the funds is a legal accounting action. Congress has approved transfers between accounts before.

FOSTER CARE PRIOR YEAR CLAIMS

Mr. Natcher: What is the total amount of unpaid prior year foster care claims at this time?

Ms. Gall: The unpaid prior year claims total $544 million at this time.

Mr. Natcher: Does your 1991 request fully fund these claims?

Ms. Gall: Yes, our FY 1991 request would provide us the funds to fully reimburse these claims.

Mr. Natcher: How long on average does it take you to process prior year claims?

Ms. Gall: Once funds are appropriated for prior year claims, it takes approximately eight to twelve weeks to make awards.

Mr. Natcher: Do you have a large backlog of these claims most of the time?

Ms. Gall: In past years, we have had multiple years of claims, but we anticipate we will not have claims unreimbursed in fiscal year 1991.

TITLE IV-E FOSTER CARE

Mr. Natcher: For the record, provide a table showing the number of title IV-E foster care children receiving assistance for the years 1986 to 1991.

Ms. Gall: The following information is for the record:

Fiscal Year	Average Monthly No of Children
1986	110,749
1987	118,549
1988	132,109
1989	152,487 est.
1990	176,885 est.
1991	205,187 est.

Mr. Natcher: Also provide the average monthly individual maintenance payment for the same years.

Ms. Gall: The following information represents the national average Federal Financial participation payment:

Fiscal Year	Average Monthly Individual Maintenance Payment
1986	$308
1987	327
1988	340
1989	351 est.
1990	363 est.
1991	377 est.

FOSTER CARE DATA COLLECTION

Mr. Natcher: What is the current status of your efforts in the area of foster care data collection for administrative costs?

Ms. Gall: We have issued new State Financial Reporting forms that include a breakout of four sub-categories of administrative costs. We will provide training to States on those forms in the next month. We expect to begin receiving useful data by the end of the fiscal year. We have also met with staff from other parts of our department and regional staff that work directly with States on administrative costs to develop our strategy for the further steps we will take to collect information.

Mr. Natcher: Would a data collection system impose a significant financial burden on the States?.

Ms. Gall: The breakout of administrative costs will require some one-time actions in many States to revise instructions to staff to implement the increase in detail, but once the system is in place, there should be no additional costs to States.

TITLE XX REPORTING SYSTEM

Mr. Natcher: What is the current status of the new reporting system that Congress mandated for the title XX block grant program?

Ms. Gall: A Notice of Proposed Rulemaking was published in the Federal Register on April 5, 1990 with a 60 day comment period.

Mr. Natcher: What kinds of information will be collected under the new system?

Ms. Gall: The information proposed to be collected is that specified in the statute:

- The number of children and the number of adults who receive services paid for in whole or in part with title XX funds;
- The amount of title XX funds spent for each service including the average amount spent per child recipient and per adult recipient;
- The method(s) by which each service is provided including which services are provided by public agencies which by private agencies, and which by both types of agencies; and
- The criteria applied in determining eligibility for each service such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs.

WHITE HOUSE CONFERENCE ON AGING

Mr. Natcher: Dr. Berry, you're requesting $1,000,000 for another White Conference on Aging. For the record, please provide a breakdown of the $1,000,000 by category of expense.

Dr. Berry: The tentative budget amounts by category of expense are as follows:

o Staff (mainly detailees)	$250,000
o National Meeting (travel and logistics)	350,000
o Advisory Committee	75,000
o Technical Committees	125,000
o Printing and Supplie	50,000
Total	$1,000,000

Mr. Natcher: Where will you get the staff to plan and conduct the conference?

Dr. Berry: A White House Conference on any subject is an occasion for broad and expansive participation on the part of the entire Federal government, State governments, local governments, educational institutions, and the public and private sector, service providers and members of the target population itself. We anticipate that staff for a 1991 White House Conference on Aging will be recruited from all of these sources; some will serve as "detailees, or "loaned" staff, some will be volunteers, and some will be employees compensated with Conference funds. The diversity of backgrounds represented by the Conference staff will help develop a wide range of perspectives on key assues affecting the older population.

TRAVEL COSTS

Mr. Natcher: We note on page 24 that travel costs are increasing by $373,000 in 1991, or by 40 percent. What accounts for this?

Ms. Gall: For Fiscal Year 1991, the $373,000 increase in travel will be used for additional program monitoring. The request includes $300,000 specifically for monitoring of Head Start grantees by Federal staff. The plan is to implement a schedule that will monitor all Head Start grantees on a three-year cycle.

SALARIES AND EXPENSES

Mr. Natcher: We understand that your agency has had serious difficulties in recent years with shortfall in your salaries and expenses activity. Do you agree with that?

Ms. Gall: There were shortfalls in the OHDS salaries and expenses activity in the recent years due to various factors beyond our control.

Mr. Natcher: Did you make an attempt in the 1991 budget process to correct this situation?

Ms. Gall: The FY 1991 estimate for salaries and expenses would be adequate to cover the needs identified at the time. It does not provide for unforseen events that may trigger increased charges or mandated across-the-board reduction.

Mr. Natcher: What kind of difficulties are you having this fiscal year in dealing with the 1990 sequester and the absorption of the pay raise costs?

Ms. Gall: We are able to deal with the 1990 sequester and pay raise absorption without any difficulty by making adjustments in all the object classifications in FY 1990.

Mr. Natcher: We see on page 60 that you are contracting for typing services. How has that worked out, and how much does it cost you.

Ms. Gall: Since submitting the justification for the 1991 budget request, the Office of Human Development Services has had an opportunity to re-evaluate its use of a contract for on site typing support services and has concluded that for a variety of reasons the contracting for these services should not be continued.

The decision to use an on site contractor for typing support was made approximately five years ago. The first contractor used received mixed reviews, with a number of complaints received citing a high error rate. The second contractor, with whom we let a three year contract, has produced consistently better quality work products and generally has provided very good service over the three-year term of the contract.

However, OHDS has been moving rapidly towards full automation of its work environment and by the end of fiscal year 1991 will likely have achieved its goal of fully automated and integrated word processing and data processing capability at each employee's individual work site. As we have moved toward that goal, we have found that fewer and fewer of our professional staff are composing letters and reports in handwritten copy form which the contractor could then type a final product. Instead, professional staff are choosing to compose directly into a personal computer or word processing terminal, from which clerical staff print in final. As a result, limited clerical staff can serve a larger number of professionals and the use of the contractor has diminished greatly. In fact, last year we began providing contractor service to other Operating Divisions in the Department of Health and Human Services, on a fee for services basis, to help defray the overhead costs of the contractor.

As of March, 1990 expiration of our contract neared and we projected future costs over 3 and one half years at $340,722, and assessed that nearly 61% of those costs would be administrative overhead (space, telephone and dictation equipment rental, plus interest in a new contract.

Mr. Natcher: About how many categorical grant programs does your agency administer?

Ms. Gall: OHDS administers 54 categorical programs of which 38 are discretionary grant programs and 16 are formula grant programs.

Mr. Natcher: Approximately how many individual grants is the agency responsible for monitoring?

Ms. Gall: OHDS is responsible for monitoring approximately 4128 individual grants consisting of 3022 discretionary grants and 1106 formula grants.

Mr. Natcher: How many employees do you have?

Ms. Gall: As of February 24, 1990, the Office of Human Development Services had 1,058 employees.

Mr. Natcher: In your opinion, do you have enough staff to do an adequate job of monitoring that large number of individual grants?

Ms. Gall: Staff available to carry out adequate monitoring has decreased over the past several years, as has total Internal Control Reviews in monitoring for a number of our discretionary grant programs which are largely a result of these declining resources, but also result from the significant increase in the number of discretionary grant programs authorized and funded during the same period of time. We are making a concerted effort to address these weaknesses through reallocation of FTE and travel funds within the total S&E resources available to us.

Mr. Natcher: How much new hiring did the agency do in 1989?

Ms. Gall: In Fiscal Year 1989, the Office of Human Development Services hired 63 people.

Mr. Natcher: What steps, if any, are you taking to reduce the agency's average grade and salary?

Ms. Gall: The Office of Human Development Services has implemented a new hiring policy. The hiring policy (1) shifted the authority to use Full-Time Equivalent (FTE) levels from the program and staff offices to the Assistant Secretary so that available FTE could be assigned across organizational lines to priority areas, e.g., to improve the OHDS grant monitoring activities to ensure program funds are used in accordance with applicable rules and regulations, and (2) limits hiring from outside of the Office of Human Development Services to entry levels in order to reduce the agency's average grade and salary grades 5, 7, or 9 only, unless an exception to the hiring policy is approved by the Assistant Secretary for the Office of Human Development Services.

CRACK BABIES

Mr. Natcher: You're requesting $6 million for a new demonstration program concerning "crack babies." How will this program work?

Ms. Gall: If Congress appropriates the $6 million requested, we would publish a Federal Register announcement to solicit innovative proposals to demonstrate comprehensive multidisciplinary services to meet the nonmedical needs of drug exposed infants and HIV infected children. Proposals will be reviewed competitively by panels of outside experts. We will also consider funding management support and technical assistance for grantees as well as evaluation and dissemination efforts.

Mr. Natcher: How many projects will you fund?

Ms. Gall: We anticipate that as many as 35-40 projects may be funded if Congress appropriates the $6 million requested.

ABANDONED INFANTS PROGRAM

Mr. Natcher: You have received $9,867,000 in 1990 to initiate the abandoned infants program. What are your plans for the program?

Ms. Gall: HDS is developing a program announcement to request applications for funding under this program which support the objectives of the legislation. In addition, funds have been transferred from the

Administration on Children, Youth and Families to the Administration for Developmental Disabilities to assist them to address the needs of abandoned children who are HIV positive; and discussion is underway to provide supplemental funding for certain Maternal and Child Health Projects serving HIV positive children to broaden their focus to provide services for children who are at risk because of prenatal drug exposure.

Mr. Natcher: Have you obligated any funds yet?

Ms. Gall: No funds have been obligated.

Mr. Natcher: How much?

Ms. Gall: We expect to obligate all of the FY 1990 funds before September 30, 1990.

DRUG EDUCATION PROGRAMS

Mr. Natcher: You started two new drug education programs in 1989 for runaway youth and youth gangs. For the record, provide a representative list and description of grants awarded for these programs, showing dollar amounts and project locations.

Ms. Gall: Attached is a list which contains the requested information on the Drug Abuse Prevention Program for Runaway and Homeless Youth and the Youth Gang Drug Prevention Program projects.

TRANSITIONAL LIVING PROGRAM

Mr. Natcher: You have another new program in 1990 known as the transitional living program for homeless youth. How will this program operate?

Ms. Gall: The Family and Youth Services Bureau of the Administration for Children, Youth and Families will hold a national competition to award grants to provide homeless youth shelter, skill training and support services in local communities. These grants will be made to organizations that can demonstrate a capability to provide transitional living services and shelter, i.e. group homes, host family homes and supervised apartments. Each grant will be made for at least $75,000 for the first funding period.

Mr. Natcher: Have you awarded any grants yet?

Ms. Gall: The Program Instruction announcing the availability of these funds is expected to be available in May and awards will be made before September 30, 1990.

The attached directory contains information about grantees of the Family and Youth Services Bureau of the Administration for Children, Youth and Families who were awarded financial assistance under the Drug Abuse Prevention Program for Homeless Youth. The grantees were awarded funds, for up to two years, under four priority areas.

> Priority Area A - Comprehensive Service Projects. Under this category, funds will be used to improve and/or expand existing services related to reducing or preventing illicit drug use among runaway and homeless youth and their families.
>
> Priority Area B - Community Networking Projects. Funds were awarded under this category to develop community drug abuse prevention efforts, particularly in rural areas and in communities with fragmented or minimal services for runaway and homeless youth.
>
> Priority Area C - Demonstration Projects. Funds were awarded under this category to support the development of model approaches to preventing and reducing runaway and homeless youth involvement with illicit drugs.
>
> Priority Area D - Native American Youth. Funds were awarded under this category to support drug abuse prevention efforts on behalf of runaway and homeless youth living on or near Indian reservations and Alaska Native Villages.

An asterisk indicates that the grantee is also the recipient of funds under the Runaway and Homeless Youth Basic Center Program.

Runaway and Homeless Youth
Drug Prevention Program
Fiscal Year 1989 Grant Awards
By Region

Region I	Amount of Award	Priority Area
*Mr. Michael Rowe Executive Director Youth Continuum of TRI-RYC, Inc. P.O. Box 2033 844 Grand Avenue New Haven, Connecticut 06521 (203) 562-3396	$150,000	C
*Ms. Barbara Whelan Executive Director The Bridge, Inc. 47 West Street Boston, Massachusetts 02111 (617) 423-9575	212,500	A
*Ms. Mary Reardon Johnson Executive Director YWCA of Western Massachusetts 137 Chestnut Street Springfield, Massachusetts 01103 (413) 732-3121	106,250	A
* Mr. Robert Rowe Executive Director New Beginnings, Inc. 491 Main Street Lewiston, Maine 04240 (207) 946-7272	212,500	A
*Mr. Tom Howard Executive Director Washington County Youth Service Bureau, Inc. P.O. Box 627 38 Elm Street Montpelier, Vermont 05601 (802) 229-9151	212,500	A

Region II	Amount of Award	Priority Area
*Mr. Joseph F. Yuhas President Anchor House 482 Centre Street Trenton, New Jersey 08611 (609) 396-8329	74,375	A
*The Reverend James R. Harvey President Flowers With Care 23-40 Astoria Boulevard Astoria, New York 11102 (718) 726-9790	141,930	A
*Mr. Marion Lazer Assistant Executive Director The Educational Alliance, Inc. 197 East Broadway New York, New York 10002 (212) 475-6200	212,500	A
Mr. E. Jeff Baron Executive Direcotr The Emergency Shelter, Inc. 80 St. Mark's Place New York, New York 10003 (212) 979-8960	212,000	A
Mr. Donald F. Murphy Executive Vice President St. Francis Hospital North Road Poughkeepsie, New York 12601 (914) 464-3600	103,275	A
Mr. Dennis M. Lay President The Seneca Nation of Indians 1490 Route 438 Irving, New York 14081 (716) 532-4900	75,000	D
Isabel Suliveres de Martinez Secretary Department of Anti-Addiction Services P.O. Box 21414 Rio Piedras Station Rio Piedras, Puerto Rico 00928-1414 (809) 763-3133	105,196	A

Region III	Amount of Award	Priority Area
*Mr. Joseph M. Dell'Olio Executive Vice President Child, Inc. 507 Philadelphia Pike Wilmington, Deleware 19809-2177 (302) 655-3311	168,264	A
*Mr. Thomas P. Cherry, M.S.W. Project Director, The Bridge Catholic Social Services 33 E. Northampton Street Wilkes-Barre, Pennsylvania 18701 (717) 824-5766	58,937	A
*Mr. David Gilgoff Executive Director Valley Youth House Committee, Inc. 539 Eighth Avenue Bethlehem, Pennsylvania 18018 (215) 691-1200	106,250	A
Mr. Jerry Tracy Administrator Loudoun County Youth Shelter 11645 Meadowview Court Leesburg, Virginia 22090 (703) 771-5300	18,467	A
Ms. June Bucy Executive Director National Network of Runaway and Youth Services 1400 I Street, N.W. Suite 330 Washington, D.C. 20005 (202) 682-4114	148,648	C
*Ms. Deborah Shore Executive Director Sasha Bruce Youthwork, Inc. 1022 Maryland Avenue, N.E. Washington, D.C. 20002 (202) 546-6804	210,088	A
*Mr. Dennis L. Pease Executive Director Daymark, Inc. 1583 Lee Street East Charleston, West Virginia 25311 (304) 344-3527	122,569	A

*Ms. Joan Ross Executive Director Southwestern Community Action Council 540 5th Avenue Huntington, West Virginia 25701 (304) 525-5151	189,533	A
*Mr. Christopher P. Smith Executive Director The Whale's Tale 250 Shady Avenue Pittsburgh, Pennsylvania 15206 (412) 661-1800	101,270	A
*Ms. Ruth G. Richardson Executive Director Three Rivers Youth - The Loft 2039 Termon Avenue Pittsburgh, Pennsylvania 15212 (412) 766-2215	106,250	A
*Ms. Wendy Zolla Executive Director Alternative House P.O. Box 637 McLean, Virginia 22101 (703) 356-8355	106,250	A
*Ms. Diane R. Halbrook Executive Director Alexandria Community Y, Inc. 418 South Washington Street Alexandria, Virginia 22314 (703) 549-1111	85,014	A

Region IV	Amount of Award	Priority Area
*Mr. T. Edmund Lakeman Executive Director Mobile Mental Health Center, Inc. 2400 Gordon Smith Drive Mobile, Alabama 36617 (205) 473-4423	120,105	B
Ms. Haven Poe Chairman Hillsborough County Board of County Commissioners P.O. Box 1110 Tampa, Florida 33601 (813) 272-5470	106,250	A
*Ms. Karen R. Crapo Executive Director Corner Drug Store 1300 NW 6 Street Gainesville, Florida 32601 (904) 377-2976	104,040	A
*Ms. Shirley E. Aron Executive Director Switchboard of Miami, Inc. 75 S.W. 8th Street, 4th Floor Miami, Florida 33130 (305) 358-1640	106,250	A
*Mr. Louis N. Broyles President Alternative Human Services, Inc. P.O. Box 13087 St. Petersburg, Florida 33733 (813) 526-1123	209,861	A
Ms. Nancy Lee Matthews Executive Director Covenant House Florida, Inc. 733 Breakers Avenue Fort Lauderdale, Flordia 33304 (305) 561-5559	212,500	A
Ms. Gail Kurtz Executive Director Southeastern Network of Youth and Family Services, Inc. 337 S. Milledge Avenue, Suite 209 Athens, Georgia 30605 (404) 354-4568	149,000	C

*Dr. Judith B. Greenberg Executive Director Bridge Family Center of Atlanta, Inc. 77 Peachtree Place, N.W. Atlanta, Georgia 30309 (404) 881-8344	150,000	C
Mr. T. Noel Cooper President Savannah Runaway Home 11 West Park Avenue Savannah, Georgia 31401 (912) 234-4048	111,240	A
Mr. Gil Jackson Executive Director Cherokee Center for Family Services Cherokee Boys Club P. O. Box 507 Cherokee, North Carolina 28719 (704) 497-9101	74,786	D
*Ms. Mary Jane Dewey Executive Director Oasis Center, Inc. P.O. Box 121648 Nashville, Tennessee 37212 (615) 329-8036	111,f35	A

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Region V	**Amount of Award**	**Priority Area**
*Mr. Thomas Behrens Executive Director Northside Ecumenical Night Ministry 835 West Addison Chicago, Illinois 60613 (312) 935-3366	129,300	C
*Mr. Thomas N. Frederick President of the Board Youth Service Bureau of St. Joseph County, Inc. 2222 Lincolnway West South Bend, Indiana 46628 (219) 284-9231	53,092	A
*Mr. Donald G. Capp Executive Director Crisis Center, Inc. 101 North Montgomery Street Gary, Indiana 46403 (219) 938-7070	178,681	A
*Mr. James L. McKee, Ph.D. Chief Executive Officer Park Center, Inc. 909 East State Boulevard Fort Wayne, Indiana 46805 (219) 424-7478	140,764	A
Ms. Amanda L. Good Executive Director Alternatives for Girls 1950 Trumbull Detroit, Michigan 48216 (313) 496-0938	166,480	A
Ms. Barbara Rachelson Executive Director Michigan Network of Runaway and Youth Services 115 W. Allegan Suite 310 Lansing, Michigan 48933 (517) 484-5262	149,980	C
Mr. Robert Sheehan Executive Director Gateway Community Services 910 Abbott Road Suite 100 East Lansing, Michigan 48823 (517) 351-4000	116,804	A

*Ouida G. Cash, Ed.D. Executive Director Youth Living Centers, Inc. 715 S. Inkster Road Inkster, Michigan 48141 (313) 536-5005	212,500	A
Mr. Gerald R. Thalhammer President Genesee County Youth Corporation 914 Church Street Flint, Michigan 48502 (313) 233-8700	65,500	A
*Ms. Polly A. Learned Executive Director The Link Crisis Intervention Center, Inc. 2002 South State Street St. Joseph, Michigan 49085 (616) 983-6351	105,717	A
*Ms. Christine Koch Board President Comprehensive Youth Services, Inc. Two Crocker Blvd., Suite 103 Mt. Clemens, Michigan 48043 (313) 463-7079	184,128	A
*Ms. Frances H. Denny, ACSW Executive Director Catholic Family Services 1819 Gull Road Kalamazoo, Michigan 49001 (616) 381-9500	207,195	A
*Mr. Ronald Spess Executive Director Saginaw County Youth Protection Council P.O. Box 3191 Saginaw, Michigan 48605 (517) 752-5175	106,250	A

Ms. Nancy Hite Executive Director Minneapolis Youth Diversion Program 1905 3rd Avenue South Minneapolis, Minnesota 55404 (612) 871-3613	50,786	A
*Ms. Sarah Baker Executive Director Evergreen House 921 Minnesota Avenue Bemidji, Minnesota 56601 (218) 751-4332	50,000	D
*Ms. Lisa Simer St. Paul Youth Services Bureau 1619 Dayton Avenue St. Paul, Minnesota 55102 (612) 647-0411	115,455	A
*Mr. W. Martin Hiller Executive Director Free Medical Clinic of Greater Cleveland 12201 Euclid Avenue Cleveland, Ohio 44106 (216) 421-2000	42,451	A
*Reverend W. Douglas McCoard Executive Director Huckleberry House, Inc. 1421 Hamlet Street Columbus, Ohio 43201 (614) 294-8097	44,600	C
Mr. Gerald E. Skully Executive Director Lorain County Council on Alcoholism and Drug Abuse 1131 E. Broad Street Elyria, Ohio 44035 (216) 366-5120	198,735	A
*Mr. David Wehring Executive Director Daybreak, Inc. 819 Wayne Avenue Dayton, Ohio 45410 (513) 461-1000	180,708	A
*Ms. Patricia Balke Executive Director Wisconsin Association for Runaway Services 2318 East Dayton Street Madison, Wisconsin 53704 (608) 241-2649	212,500	B

*Mr. Steve Sperling Executive Director Briarpatch, Inc. 512 East Washington Avenue Madison, Wisconsin 53703 (608) 251-1126	106,250	B
*Mr. Bob Davis President The Counseling Center of Milwaukee, Inc. 2038 North Bartlett Milwaukee, Wisconsin 53202 (414) 271-2565	106,250	A

Region VI	Amount of Award	Priority Area
*Mr. Augustine Chris Baca Executive Director Youth Development, Inc. 1710 Centro Familiar, S.W. Albuquerque, New Mexico 87105 (505) 873-1604	125,325	A
*Ms. Cynthia Taylor Executive Director Youth Shelters and Family Services P.O. Box 8135 Santa Fe, New Mexico 87504 (505) 473-0240	106,250	A
Mr. Bennie Cohoe Executive Director Ramah Navajo School Board, Inc. P.O. Drawer A Pine Hill, Cibola County New Mexico 87357 (505) 775-3256	75,000	D
*Mr. Jim Lunsford Executive Director Payne County Youth Services, Inc. 2224 W. 12th Stillwater, Oklahoma 74076 (405) 377-3380	72,167	A
*Ms. Janis Updike Walker Executive Director Youth Services of Tulsa, Inc. 302 S. Cheyenne, Suite 114 Tulsa, Oklahoma 74103 (918) 582-0061	212,500	A
*Mr. J. Ben Casey President YMCA Casa de los Amigos 2640 Webb Chapel Ext. Dallas, Texas 75220 (214) 880-9622	212,500	A
*Mr. Mitch Weynand Executive Director Middle Earth Unlimited, Inc. 3708 B South 2nd Street Austin, Texas 78704 (512) 482-8322	177,790	A

*Mr. Leonard Richards President Board of Directors Sand Dollar, Inc. 103 W. Park Lane Pasadena, Texas 77506 (713) 473-9135	74,938	A
Mr. Glen J. Good President Family Service, Inc. 1424 Hemphill Street Fort Worth, Texas 76104 (817) 927-8884	170,000	A
*Mr. Ronald R. Cookston, Ed.D. Executive Director Sabine Valley MHMR Center P. O. Box 6800 Longview, Texas 75608 (214) 297-2191	119,201	A
*Mr. Roy Maas Executive Director Youth Alternatives, Inc. 3103 West Avenue San Antonio, Texas 78213 (512) 340-8077	103,722	A
*Mr. Tom McClurg Chairman, Board of Directors East Texas Open Door, Inc. 414 West Burleson Street Marshall, Texas 75670 (214) 938-1211	122,258	A

Region VII	Amount of Award	Priority Area
*Ms. Linda K. Dasher, Chairperson Board of Directors Youth & Shelter Services Inc. P.O. Box 1628 Ames, Iowa 50010 (515-233-3141	125,000	C
*Mr. Howard Cohen President, Board of Directors Foundation II, Inc. 1251 3rd Avenue, SE Cedar Rapids, Iowa 52403 (319) 362-2176	78,933	A
*Ms. Sarah Robinson The Wichita Children's Home 810 N. Holyokes Wichita, Kansas 67208 (316) 684-6581	190,652	A
*Mr. B. Wayne Sims Executive Director Wyandotte House, Inc. 632 Tauromee Kansas City, Kansas 66101 (913) 342-9332	212,500	A
*Ms. Mary F. Flood Executive Director Youth Service System of Lincoln and Lancaster County 2202 South 11th Lincoln, Nebraska 68502 (402) 475-3040	177,335	A

Region VIII	Amount of Award	Priority Area
Mr. Leonard C. Burch Tribal Chairman Southern Ute Indian Tribe P.O. Box 800 Ignacio, Colorado 81137 (303) 563-4517	75,000	D
*Ms. Elizabeth A. Fischer President Capitol Hill United Neighborhoods 1290 Williams Street Denver, Colorado 80218 (303) 388-2716	212,075	A

Region IX	Amount of Award	Priority Area
*Ms. Darlene G. Dankowski Executive Director Open-Inn, Inc. 4810 E. Broadway Tucson, Arizona 85711 (602) 323-0200	204,345	A
*Mr. Dennis W. Noonan Executive Director Our Town Family Center P.O. Box 26504 Tucson, Arizona 85726 (602) 323-1708	212,500	A
Mr. Ronald Edwards Tribal Vice Chairman San Carlos Apache Tribe P.O. Box O San Carlos, Arizona 85550 (602) 475-2361	47,464	D
Mr. Richard S. Gordon Executive Director Youth and Family Assistance 609 Price Avenue, Suite 202 Redwood City, California 94063 (415) 366-8408	105,966	A
*Ms. Teri Mundt Executive Director Tahoe Human Services, Inc. P. O. Box 848 South Lake Tahoe, California 95705 (916) 541-2441	90,832	A
*Mr. James A. Spence Superintendent of Schools Mendocino Office of Education 202 South State Street Ukiah, California 95482 (707) 463-4915	151,214	B
*Mr. Adam G. Jacobs Executive Director Individuals Now/Social Advocates for Youth 1303 College Avenue Santa Rosa, California 95404 (707) 544-3299	149,999	A
*Mr. Ted Klemm Chief, Alcohol and Drug Division Butte County Mental Health 584 Rio Lindo Avenue, Suite 2 Chico, California 95926 (916) 534-4211	144,233	B

*Mr. Richard Collato President YMCA of San Diego County 7510 Clairemont Mesa Boulevard San Diego, California 92111 (619) 292-4034	159,375	A
*Mr. John L. Peel, MS Executive Director Los Angeles Youth Network 1944 Cahuenga Los Angeles, California 90068 (213) 466-6200	145,750	C
*Ms. Diane M. Flannery Executive Director Larkin Street Services 1044 Larkin Street San Francisco, California 94109 (415) 673-0911	209,948	A
*Robin V. Tobin Executive Director Central City Hospitality House 146 Leavenworth Street San Francisco, California 94102 (415) 776-2101	138,600	C
*Ms. Sparky Harlan Executive Director Bill Wilson Marriage and Family Counseling Center 1000 Market Street Santa Clara, California 95050 (408) 984-5955	212,500	A
*Mr. Charles Foster Executive Director Diogenes Youth Services, Inc. 2555 3rd Street, Suite 120 Sacramento, California 95818 (916) 363-9943	120,415	A
*Richard Collato President and CEO YMCA of San Diego County 7510 Clairemont Mesa Blvd. San Diego, California 92111 (619) 292-4034	150,000	C

NOTE: YMCA of San Diego receives funds under Priority Areas A and C.

Mr. James Yoshioka President and Chief Executive Officer Childrens Hospital of Los Angeles P. O. Box 54700 Los Angeles, California 90054-0700 (213) 669-2301	212,500	A
*Ms. Kathryn Schroeder Executive Director South Bay Community Services, Inc. 429 Third Avenue Chula Vista, California 92020 (619) 420-3620	100,251	A
Mr. Richard E. Steinberg President anc Chief Executive Office WestCare, Inc. 401 South Martin Luther King Bouelvard Las Vegas, Nevada 89106 (702) 385-2020	212,418	A

YOUTH GANG DRUG PREVENTION PROGRAM

REGION I

UNITED CONNECTICUT ACTION
FOR NEIGHBORHOODS
P.O. BOX 6422
HARTFORD, CT 06106

GRANT AMT: $300,700 PRIORITY AREA: A
DURATION: 2 YRS FYSB PROJECT OFFICER:
TITLE: UCAN CONSORTIUM TO PREVENT DRUG AND GANG INVOLVEMENT
PRINCIPAL INVESTIGATOR: ALTA LASH (203) 522-9946

CITY OF BOSTON
26 WEST STREET
BOSTON, MASSACHUSETTS 02118

GRANT AMT: $800,000 PRIORITY AREA: A
DURATION: 2 YRS FYSB PROJECT OFFICER:
TITLE: GANG DETERRENT PROJECT
PRINCIPAL INVESTIGATOR: WILLIAM DOHERTY (617) 725-4920

BOSTON CHINESE YOUTH
ESSENTIAL SERVICE
199 HARRISON AVENUE
BOSTON, MASSACHUSETTS 02111

GRANT AMT: $150,000 PRIORITY AREA: B.1
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: ASIAN YOUTH EMPOWERMENT PROGRAM
PRINCIPAL INVESTIGATOR: JANE LEUNG (617) 482-4243

BOSTON HOUSING AUTHORITY
52 CHAUNCY STREET
BOSTON, MASSACHUSETTS 02111

GRANT AMT: $150,000 PRIORITY AREA: B.2
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG AND DRUG PREVENTION FOR
PUBLIC HOUSING DEVELOPMENTS
PRINCIPAL INVESTIGATOR: P. CHRISTOPHER NAVIN (617) 442-9151

DORCHESTER YOUTH COLLABORATIVE
1514-A DORCHESTER AVENUE
DORCHESTER, MASS 02122

GRANT AMT: $147,000 PRIORITY AREA: B.4
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: COMMON GROUND/CENTER FOR URBAN EXPESSIONS
PRINCIPAL INVESTIGATOR: EMMETT FOLGET (617) 288-1748

REGION II

CHURCH AVENUE MERCHANTS BLOCK ASSOCIATION, INC. 1720 CHURCH AVENUE BROOKLYN, NEW YORK 11226	GRANT AMT: $87,949 PRIORITY AREA: B.1 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: AFTER-SCHOOL/SUMMER PROGRAM FOR SOUTHEAST ASIAN/AMERASIAN YOUTH PRINCIPAL INVESTIGATOR: SHARON CUCINOTTA (718) 287-2600
MONROE COUNTY DEPT. OF SOCIAL SERVICES, CHILDREN'S CENTER 355 WESTFALL ROAD ROCHESTER, NEW YORK 14620	GRANT AMT: $150,000 PRIORITY AREA: B.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: YOUTH OUTREACH PROJECT PRINCIPAL INVESTIGATOR: JOHN ROSATI (716) 274-7946
GOVERNOR'S OFFICE OF DEDICA- TED INTERWOVEN RESOURCES SAN JUAN, PUERTO RICO 00901	GRANT AMT: $716,654 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE:BETTERMENT OF RESOURCES AND EFFECTIVE GANG ALTERNATIVES PRINCIPAL INVESTIGATOR: SANDRA RODRIGUEZ PAGANI (809) 724-5351
DISPENSARIO SAN ANTONIO BOX 213 PLAYA STATION PONCE, PUERTO RICO 00732	GRANT AMT: $143,494 PRIORITY AREA: B.1 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: OFFERING YOUTH A MORE ATTRACTIVE PRINCIPAL INVESTIGATOR: SISTER ROSITA BAUZA (809) 844-6436

REGION_III

KENSINGTON ACTION NOW
3034 FRANKFORD AVENUE
PHILADELPHIA, PA 19134

GRANT AMT: $93,750 PRIROITY AREA: A
DURATION: 2 YRS FYSB PROJECT OFFICER:
TITLE: YOUTH ANTI-DRUG GANG PROJECT
PRINCIPAL INVESTIGATOR: DEBORAH FISCHETTI (215) 426-5705

CRIME PREVENTION ASSOCIATION
R.W. BROWN COMMUNITY CENTER
311 S. JUNIPER STREET
PHILADELPHIA, PA 19107

GRANT AMT: $200,000 PRIORITY AREA: C
DURATION: 12 MONTHS
TITLE: FAMILIES UNITED AGAINST SUBSTANCE ABUSE AND GANG INVOLVEMENT
PRINCIPAL INVESTIGATOR: ARTHUR GEWIRTZ (215) 545-5230

COSSMHO--NATIONAL COALITION OF
HISPANIC HHS ORGANIZATIONS
1030 15TH STREET, N.W.
WASHINGTON, D.C.20005

GRANT AMT: $149,827 PRIORITY AREA: B.1
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: GANGS AND DRUG PREVENTION MODEL
PRINCIPAL INVESTIGATOR: PAUL CARDENAS (202) 371-2100

METROPOLITAN POLICE BOYS
AND GIRLS CLUBS
1700 RHODE ISLAND AVE, N.E.
WASHINGTON, D.C. 20018

GRANT AMT: $148,015 PRIORITY AREA: B.4
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG PREVENTION, INTERVENTION DIVERSION PROGRAM
PRINCIPAL INVESTIGATOR: FRED THOMAS (202) 576-6748

CENTER FOR CHILD PROTECTION
AND FAMILY SUPPORT
714 G STREET, S.E.
WASHINGTON, D.C. 20003

GRANT AMT: $172,240 PRIORITY AREA: C
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: FAMILIES ORGANIZED FOR COPING UNDER STRESS
PRINCIPAL INVESTIGATOR: CARL RODGERS (202) 544-3144

REGION IV

ASPIRA OF FLORIDA, INC.
2902 NW 2ND AVENUE
MIAMI, FLORIDA 33127

GRANT AMT: $261,049 PRIORITY AREA: A
DURATION: 2 YRS FYSB PROJECT OFFICER:
TITLE: GANG AWARENESS AND INTERVENTION NETWORK
PRINCIPAL INVESTIGATOR: RAUL MARTINEZ (305) 576-1512

CITY OF OPA LOCKA
777 SHARAZAD BOULEVARD
OPA LOCKA, FLORIDA 33054

GRANT AMT: $150,000 PRIORITY AREA: C
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: SAFE NEIGHBORHOOD IMPROVEMENT DISTRICT
YOUTH INTERVENTION/PREVENTION PROJECT
PRINCIPAL INVESTIGATOR: STAN BOWIE (305) 953-2909

OPERATION SHOESTRING
331 GLENDALE STREET
JACKSON, MISSISSIPPI 39203

GRANT AMT: $82,077 PRIORITY AREA: B.2
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH SERVICE PROJECT
PRINICPAL INVESTIGATOR: WARREN YODER (601) 353-6336

GULF COAST COMMUNITY ACTION
AGENCY
P.O. BOX 519
GULFPORT, MISSISSIPPI 39502

GRANT AMT: $150,000 PRIORITY AREA: B.7
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG PREVENTION, INTERVENTION
AND DIVERSION PROJECT
PRINCIPAL INVESTIGATOR: DOYLE MOFFETT (601) 868-4250

REGION V

CHICAGO COMMONS ASSC
915 N. WOLCOTT
CHICAGO, ILLINOIS 60622

GRANT AMT: $758,424 PRIORITY AREA: A
DURATION: 2 YRS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG AND DRUG PREVENTION AND INTERVENTION PROGRA
PRINCIPAL INVESTIGATOR: FRANK SEEVER (312) 342-5330

BRYN MAWR ELEMENTARY SCHOOL
7355 SOUTH JEFFERY AVENUE
CHICAGO, ILLINOIS 60649

GRANT AMT: $85,991 PRIORITY AREA: B.1
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG PREVENTION AND INTERVENTION PROGRAM
PRINCIPAL INVESTIGATOR: DR. JOSEPH A. LAVIZZO (312) 947-4001

YOUTH SERVICE PROJECT, IN.
3842 WEST NORTH AVENUE
CHICAGO, ILLINOIS 60647

GRANT AMT: $110,000 PRIORITY AREA: B.7
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: YSEP'S SECOND CHANCE PROGRAM
PRINCIPAL INVESTIGATOR: NANCY ABBATE (3120 772-6270

THE ADVISORY CENTERS, INC.
1115 BALL, N.E.
GRAND RAPIDS, MICHIGAN 49505

GRANT AMT: $150,000 PRIORITY AREA: B.4
DURATION: 17 MONTHS FYSB PROJECT OFFICER:
TITLE: YOUTH GANG DRUG PREVENTION PROGRAM
PRINCIPAL INVESTIGATOR: CAROL THOMAS-SHEUES (616) 458-7434

THE CITY, INC.
1545 EAST LAKE STREET
MINNEAPOLIS, MINNESOTA 53407

GRANT AMT:$150,000 PRIORITY AREA: B.1
DURATION: 12 MONTHS FYSB PROJECT OFFICER:
TITLE: AT-RISK YOUTH SERVICES PROGRAM
PRINCIPAL INVESTIGATOR: JAMES NELSON (612) 724-3689

ST. PAUL AMERICAN INDIAN CENTER 341 UNIVERSITY AVENUE ST. PAUL, MINNESOTA 55103	GRANT AMT: $150,000 PRIORITY AREA: C DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: MINO BIMADISIWIN (THE GOOD LIFE) PRIMARY INVESTIGATOR: JAY M. LONETREE (612) 222-0690
OHIO UNIVERSITY SCHOOL OF VISUAL COMMUNICATION ATHENS, OHIO 45701	GRANT AMT: $146,598 PRIORITY AREA: B.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: NEWSPAPER, JOURNALISM AND PHOTOGRAPHY PROGRAM PRINCIPAL INVESTIGATOR: SANDRA HAGGERTY (614) 593-4800
WARREN-TRUMBULL COMMUNITY SERVICE AGENCY 418 SOUTH MAIN AVENUE WARREN, OHIO 44481	GRANT AMT: $61,992 PRIORITY AREA: B.7 DURATION: 12 MONTHS FYSB PROJECT OFFICER: TITLE: INFLUENTIAL FRIENDS PROJECT PRINCIPAL INVESTIGATOR: JAMES ABICHT (216) 393-2507
COUNTY OF DANE JUVENILE COURT PROGRAM 10 MARTIN LUTHER KING JR. MADISON, WISCONSIN 53709	GRANT AMT: $150,000 PRIORITY AREA: B.2 DURATION: 17 MONTHS TITLE: DANE COUNTY JUVENILE COURT GANG PREVENTION PROJECT PRINCIPAL INVESTIGATOR: JAMES P. MOESER (608) 267-4192

REGION VI

CENTER FOR SOCIAL RESEARCH
SOUTHERN UNIVERSITY
BATON ROUGE, LOUISIANA 70813

GRANT AMT: $146,421   PRIORITY AREA: B.1
DURATION: 17 MONTHS   FYSB PROJECT OFFICER:
TITLE: GANG DRUG ABUSE AND ALCOHOL PREVENTION PROJECT (GDAAPP.
PRINCIPAL INVESTIGATOR: EMMANUEL OSAGIE (504) 771-5640

YOUTH DEVELOPMENT, INC.
1710 CENTRO FAMILIAR, S.W.
ALBUQUERQUE, NM 87105

GRANT AMT: $150,000   PRIORITY AREA: B.2
DURATION: 12 MONTHS   FYSB PROJECT OFFICER:
TITLE: YOUTH GANG PREVENTION, INTERVENTION,
PRINCIPAL INVESTIGATOR: CHRIS BACA (505) 873-1604

NEW MEXICO YOUTH AUTHORITY
2020 ROSINA STREET
SANTA FE, NEW MEXICO 87501

GRANT AMT: $150,000   PRIORITY AREA: B.3
DURATION: 17 MONTHS   FYSB PROJECT OFFICER:
TITLE:GANG DRUG PREVENTION PROGRAM
PRINCIPAL INVESTIGATOR: KENNETH WARNER (505)827-7533

REGION VII

YOUTH EMERGENCY SERVICES
AND SHELTER OF IOWA
DES MOINES, IOWA 50309

GRANT AMT: $170,185   PRIORITY AREA: C
DURATION: 17 MONTHS   FYSB PROJECT OFFICER:
TITLE: YOUTH GANG DRUG PREVENTION
PRINCIPAL INVESTIGATOR: SUSAN G. GEHRING (505) 243-7825

REGION VIII

GOVERNOR'S JOB TRAINING OFFICE
1391 NORTH SPEER BLVD
DENVER, COLORADO 80204

GRANT AMT: $1,000,000   PRIORITY AREA: A
DURATION: 2 YRS   FYSB PROJECT OFFICER:
TITLE: DENVER-AURORA YOUTH DEVELOPMENT INITIATIVE
PRINCIPAL INVESTIGATOR: CARMEN VELASQUEZ (303) 620-4658

STREET-SMART
DOCTORS TO THE WORLD
2550 WASHINGTON STREET
DENVER, COLORADO 80205

GRANT AMT: $149,400   PRIORITY AREA: B.1
DURATION: 17 MONTHS   FYSB PROJECT OFFICER:
TITLE: YOUTH GANG DRUG PREVENTION PROGRAM
PRINCIPAL INVESTIGATOR: JAMES FLYNN (303) 894-3292

REGION IX

PINAL COUNTRY CITIES IN SCHOOLS 900 E. FLORENCE BLVD CASA GRANDE, ARIZONA 85222	GRANT AMT:$100,400 PRIORITY AREA A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: PINAL COUNTY PREVENTION PROJECT PRINCIPAL INVESTIGATOR: CATHY SIMS (602) 426-3896
LUZ SOCIAL SERVICES, INC. 40 WEST 28TH STREET TUCSON, ARIZONA 85710	GRANT AMT: $361,633 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: PADRINOS DEL SOL PRINCIPAL INVESTIGATOR: DR. PEPE BARON (602) 623-3050
CITY OF ANAHEIM--PARKS, RECREATION, & COMMUNITY SVCS 200 SOUTH ANAHEIM BLVD. ANAHEIM, CALIFORNIA 92805	GRANT AMT: $150,000 PRIORITY AREA: B.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: PROJECT SAY (SAVE A YOUTH) PRINCIPAL INVESTIGATOR: STEVEN E. SWAIM (714) 999-5167
CITY OF LOS ANGELES 215 WEST SIXTH ST LOS ANGELES, CA 90014	GRANT AMT: $1,000,000 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: PROJECT TITLE: COMMUNITY YOUTH SERVICE CENTER PRINCIPAL INVESTIGATOR: PARKER C. ANDERSON (213) 485-4682
ASIAN AMERICAN DRUG ABUSE PROGRAM, INC. 5318 S. CRENSHAW BLVD. LOS ANGELES, CA 90043	GRANT AMT: $441,344 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: ASIAN PACIFIC YOUTH PROJECT PRINCIPAL INVESTIGATOR: MIKE WATANABE (213) 293-6284
KOREAN YOUTH CENTER, INC. 3986 INGRAHAM STREET LOS ANGELES, CALIFORNIA 90005	GRANT AMT: $100,000 PRIORITY: B.2 DURATION: 12 MONTHS FYSB PROJECT OFFICER: TITLE: HIGH RISK YOUTH EMPLOYMENT TRAINING AND JOB CREATION PROJECT PRINCIPAL INVESTIGATOR: BONG HWAN KIM (213) 383-5218

WATTS LABOR COMMUNITY ACTION COMMITTEE 10950 SOUTH CENTRAL AVENUE LOS ANGELES, CALIFORNIA 90059	GRANT AMT: $150,000 PRIORITY: 6.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: WLCAC'S COMMUNITY YOUTH CENTER PRINCIPAL INVESTIGATOR:
LOS ANGELES UNIFIED SCHOOL DISTRICT OFFICE OF INSTRUCTION 450 NORTH GRAND AVENUE LOS ANGELES, CALIFORNIA 90012	GRANT AMT: $150,000 PRIORITY: C DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: COLLABORATIVE PARENT TRAINING WITH CBO'S SERVING THE GANG/DRUG IMPACTED AREAS PRINCIPAL INVESTIGATOR: DR. LILIA LOPEZ (213) 625-4054
PROVISIONAL EDUCATIONAL SERVICES, INC. 1683 NORTH MEDICAL CENTER DR SAN BERNARDINO, CA 92411	GRANT AMT: $150,000 PRIORITY AREA: B.1 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: SUBSTANCE ABUSE AND GANG INTERVENTION PROJECT PRINCIPAL INVESTIGATOR: MILDRED HENRY (714) 887-4533
SAN DIEGO YOUTH & COMMUNITY SERVICES 3878 OLD TOWN AVENUE SAN DIEGO, CALIFORNIA 92110	GRANT AMT: $150,000 PRIORITY AREA: B.1 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: NEIGHBORHOOD OUTREACH PROGRAM PRINCIPAL INVESTIGATOR: LIZ SHEAR (619) 297-9310
YMCA OF SAN DIEGO COUNTY HUMAN DEVELOPMENT SERVICES 7510 CLAIREMONT MESA BLVD. SAN DIEGO, CALIFORNIA 92110	GRANT AMT: $149,931 PRIORITY AREA: B.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: PROJECT TITLE: MCA PRIDE - A PLEDGE & PROGRAM FOR A DRUG/GANG FREE LIFE PRINCIPAL INVESTIGATOR: BEVERLY DIGREGORIO (619) 292-0537
CITY & COUNTY OF SAN FRANCISCO OFFICE OF THE MAYOR CITY HALL SAN FRANCISCO, CA 94102	GRANT AMT: $822,029 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: SAN FRANCISCO GANG PREVENTION PROGRAM PRINCIPAL INVESTIGATOR: JAMES E. BUICK (415) 554-6556

CHINATOWN/NORTHBEACH YOUTH SERVICES & COORDINATING CTR 1693 POLK STREET SAN FRANCISCO, CA 94109	GRANT AMT: $75,000 PRIORITY AREA: B.7 DURATION: 17 MONTHS FYSB PROJECT OFFICER: PROJECT TITLE: CHINESE YOUTH GANG PREVENTION PROJECT PRINCIPAL INVESTIGATOR: KEITH CHOY (415) 775-2636
COUNTRY OF SAN JOAQUIN 222 E. WEBER AVE STOCKTON, CALIFORNIA 95202	GRANT AMT: $1,000,000 PRIORITY AREA: A DURATION: 2 YEARS FYSB PROJECT OFFICER: TITLE: STOCKTON YOUTH GANG DRUG PREVENTION PROGRAM PRINCIPAL INVESTIGATOR: R. CRAIG WISCHMUSEN (209) 944-3850
BOYS & GIRLS CLUB OF STOCKTON P.O. BOX 415 STOCKTON, CALIFORNIA 95201	GRANT AMT: $150,000 PRIORITY AREA: B.2 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: BOYS & GIRLS CLUB GANG ACTIVITY PROGRAM PRINCIPAL INVESTIGATOR: LINCOLN ELLIS (209) 466-1264
OFFICE OF THE GOVERNOR OFFICE OF CHILDREN & YOUTH 426 QUEEN STREET HONOLULU, HAWAII 96813	GRANT AMT: $912,049 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: HAWAII CONSORTIUM FOR YOUTH GANG DRUG PREVENTION PRINCIPAL INVESTIGATOR: NOBORU YONAMINE (808) 548-7582
TRUCKEE MEADOWS BOYS AND GIRLS CLUB 2680 EAST 9TH STREET RENO, NEVADA 89512	GRANT AMT: $150,000 PRIORITY AREA B.7 DURATION: 17 MONTHS FYSB PROJECT OFFICER: TITLE: YOUTH GANG DIVERSION PROGRAM PRINCIPAL INVESTIGATOR: JAMES BARRETT (702) 331-3605

REGION X

PIERCE COUNTRY GOVERNMENT 738 BROADWAY TACOMA, WA 98402	GRANT AMT: $375,320 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: SAFE STREET CAMPAIGN PRINCIPAL INVESTIGATOR: LYLE QUASIM (206) 272-6824
CITY OF SEATTLE DEPT OF HUMAN RESOURCES 618 2ND AVENUE SEATTLE, WA 98104	GRANT AMT: $469,000 PRIORITY AREA: A DURATION: 2 YRS FYSB PROJECT OFFICER: TITLE: SEATTLE TEAM FOR YOUTH PRINCIPAL INVESTIGATOR:

SET-ASIDE FOR AGING RESEARCH DISSEMINATION

Mr. Conte: Do you think there should be specific set-aside funds for research dissemination activities?

Dr. Berry: A specific set-aside is not warranted because the Administration on Aging has a long-standing policy of placing special emphasis on the dissemination of results from its Title IV projects. Each grantee has a primary responsibility for promoting dissemination and utilization of findings and products from their research and demonstration projects. Since the mid-1970's that lead responsibility has been reinforced by an AoA requirement that potential grantees include a description of their proposed dissemination activities as part of the work plan outlined in their grant application. Thus, a dissemination component is built into each of the R&D projects funded by AoA.

In addition, AoA has taken steps to ensure that final project reports are filed with several information clearinghouses and repositories for future circulation and use. Those clearinghouses are: (1) Project SHARE, P. O. Box 2309, Rockville, MD 20852, (301) 231-9539; (2) National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, (703) 487-4600; (3) AgeLine Database, BRS Customer Services, 1200 Route 7, Latham, NY 12110, (800) 345-4277 and; (4) Acquisition Unit, Library Programs Service, U. S. Government Printing Office, North Capital and H Streets, N.W., Washington, DC 20401, (202) 275-1070

Furthermore, AoA has often undertaken dissemination activities with the objective of informing the Aging Network of innovative service programs which offer wide potential for replication and adaptation through reports in the Aging Magazine and Information Memoranda to the Aging Network.

DEVELOPMENTAL DISABILITIES

Mr. Conte: "Regarding the basic state grant program, are there any recent estimates of the amount of funding for services for people with developmental disabilities that are being generated as a result of the activities of the State grant programs?"

Ms. Gall: Over the years during which the program has been operational, Developmental Disabilities Councils have both:

1) acted on behalf of the array of service providers and consumers who are represented among

their memership to persuade their legislatures to provide adequate funding for services for persons with developmental disabilities, and

2) utilized funds from their basic state grant to demonstrate model activities addressing unmet needs of persons with developmental disabilities. States, localities or private organizations have sometimes picked up the funding of these activities after the period of demonstration had concluded.

We do not know of any recent estimates of the total amount of funding which has been generated as a result of these activities of the basic state grant programs. However, examples of the type of activities described above are:

1) The Texas Department of Mental Health and Mental Retardation established the "In-home and Family Support" program two years ago for the benefit of persons with mental retardation and mental illness. In order to provide the same type of service to persons with other developmental disabilities, the Texas Developmental Disabilities Planning Council funded a pilot project. This past session, the legislature made the project ongoing and statewide for $6 million and provided $12 million to provide family support to the families served.

2) In 1989 the Iowa council successfully advocated for increased funding for community-based services by the legislature. Through intensive advocacy by the council the legislature also increased funding for a family support subsidy system.

3) The Hawaii Planning Council successfully advocated for two legislative measures which impact on the capacities of persons with developmental disabilities:

a) making the State of Hawaii co-employer of such persons for the purpose of workers'compensation coverage; and

b) establishing a process whereby the Hawaii Department of Education prepares an Individual Transition Plan for each student with disabilities age 15 and older with funds for 30 transition specialists and a state-wide coordinator.

Mr. Conte: "What is the relationship between the protection and advocacy systems and the State planning councils for developmental disabilities?"

Ms. Gall: The Developmental Disabilities Assistance and Bill of Rights Act requires that the protection and advocacy system be represented among the membership of the State planning council. This is one principal avenue through which the protection and advocacy system and the State planning council relate and through which the protection and advocacy system provides information for use in the formulation by the council of recommendations (as well as other decisions and activities undertaken by the council.

A further way in which many protection and advocacy systems and State planning councils relate is through their overlapping mandates to advocate for the protection of the rights of and provision of the services needed by persons with developmental disabilities. The role of the council in advocacy has traditionally been focused on the larger scale, systemic level, while the protection and advocacy system has traditionally focused primarily on advocacy for individuals. Sometimes, however, the most effective way in which the rights and needs of one or more individuals can be served is by the addressing of a systemic deficiency, and, thus, protection and advocacy systems are also involved with systems advocacy. Often, in addition to input as a member of the council, a protection and advocacy system will participate with the council in a coalition providing information, testimony and advocacy to the legislature or other rule-making body. In these shared roles especially, most councils have long had good, cooperative working relationships with the protection and advocacy systems.

Mr. Conte: "Is information obtained by protection and advocacy systems readily available for use in the development of the recommendations made by the State planning councils?"

Ms. Gall: Yes. Information is available to the council both through its participation as a member of the council and directly. One limitation commonly observed information obatined by the protection and advocacy system being available to the council would involve personal data on clients of the protection and advocacy system where the system has the responsibility to maintain confidentiality.

FOSTER CARE PROGRAM

Mr. Conte: The budget proposes transferring $47 million from the Foster care account into child welfare services for a total of $300 million. How would this increase be spent?

Ms. Gall: We will jointly plan with States the use of the funds for services to prevent the placement of children in Foster Care, to reunify children with their families and to provide post-legal adoption services.

Mr. Conte: Have the States come up with any plans on how they would use the additional incentive funds?

Ms. Gall: Since the funds have not yet been appropriated, States have not yet planned the use of the funds.

DISCRETIONARY GRANT AWARDS

Mr. Roybal: The Winter 1989 report by the Health and Human Services Inspector General on Program Management Improvement recommendations for HDS stated that the discretionary grants awarded did not always conform with HDS policy and procedures.

How many awards were made out-of-rank-order during the period covered by this report? Please list by sub-units of HDS (i.e., Aging, Children, Youth and Family, etc.)

Ms. Gall: The HHS Inspector General's (IG) report is based on a judgmentally selected (non-random) sample of 27 grant awards from approximately 1,160 grants which were active in September 1986. Those grants had been awarded during a period of approximately three years prior to that date and included all discretionary grants except Head Start managed by the HDS headquarters staff and program offices.

The IG's review showed that of the 27 grant awards included in the study, 19 had been made out of rank order. The various HDS units were not identified.

Mr. Roybal: How many did not conform with HDS policy and procedures?

Ms. Gall: The IG found that nine out of the 19 awards which had been made out of rank order were not fully in conformance with the HDS grants administration requirements.

Mr. Roybal: What is being done to correct this situation? Please be specific.

Ms. Gall: The procedural weaknesses noted in the IG report are based on their review conducted in fiscal year (FY) 1986. Corrective action was taken in FY 1987, and we are now in compliance with all grants administration requirements.

Over the past several years, HDS has developed detailed internal instructions which require fuller written justifications when out-of-rank-order awards are recommended. These instructions go beyond the requirements in the Department of Health and Human Services (HHS) Grants Administration Manual (HHS-GAM), and the HDS Grants Administration Staff Manual (HDS-GASM). Written guidance to program officials on this subject has been expanded and award recommendations are being scrutinized more closely by grants management staff for consistency with required procedures.

Additionally, regular training sessions have been conducted with appropriate grants management staff to reinforce the importance of this issue and emphasize that full, written explanations for out-of-rank-order funding are required.

Mr. Roybal: What are the specific internal instructions which have been developed when considering out-or-rank-order awards?

Ms. Gall: HDS has developed detailed internal instructions which require fuller written justifications when out-of-rank-order awards are recommended. These instructions go beyond the requirements in the Department of Health and Human Services Grants Administration Manual, and the HDS Grants Administration Staff Manual. Written guidance to program officials on this subject has been expanded and award recommendations are being scrutinized more closely by grants management staff. In addition, training sessions are held on a regular basis to reinforce the importance of this issue. All out-of-rank-order awards must have a full written explanation for why the projects that were bypassed were not adequate and why the grant being given was selected out-or-rank-order.

Mr. Roybal: Is the Department in any legal jeopardy due to the lax manner in which awards were handled?

Ms. Gall: No, we are not in any legal jeopardy.

HEAD START-COORDINATION ARRANGEMENTS

Mr. Roybal: Is there any coordination between the Head Start program and the various senior citizen volunteer programs?

Ms. Gall: Head Start and the Administration on Aging (AoA) have a joint priority area in AoA's Discretionary Fund Program Announcement which was published on February 9, 1990.

The purpose of the priority area is to provide opportunities for older adults to volunteer in Head Start. These are jointly funded AoA-Head Start projects where Head Start grantees are the only elgible applicants.

Mr. Roybal: The Older American Employment Program?

Ms. Gall: There is also another priority area where the Area Agency on Aging, Head Start grantee or public Child Welfare Agency could develop innovative community intergenerational activities which could include opportunities for older individuals to volunteer in early childhood program such as Head Start.

Mr. Roybal: What are the present coordination arrangements between Head Start and the Department of Education?

Ms. Gall: Head Start and the Department of Education have several collaborative activities underway. An example is the National Child Care Supply and Demand Study which includes a consumer survey to get the "demand" side and information about both licensed and unlicensed Child Care. Head Start is responsible for the consumer study and the unlicensed portion of the supply side. The Department of Education is doing the licensed portion of the study.

Another example of collaboration is our representation on other Department of Education major studies such as their observation study, where they are looking at classroom activities and interactions. Also Head Start and Even Start are cooperating in the area of family literacy and encouraging grantees at the community level to share each others expertise.

In addition, a number of meetings have already occurred to identify potential coordination activities to address the transition of Head Start graduates into school.

HEAD START BILINGUAL SERVICE

Mr. Roybal: Does Head Start provide bilingual service to children with an English deficiency?

Ms. Gall: Head Start provides bilingual services to children whose primary language is other than English.

Mr. Roybal: How are these services provided?

Ms. Gall: The Head Start Program Performance Standards mandate that grantees must have staff and resources reflective of the racial and ethnic population of the children in the program, including persons who speak the primary language of the children and are knowledgeable about their heritage. At a minimum, when a majority of the children speak a language other than English, at least one teacher or aide interacting regularly with the children must speak their language, and where only a few children, or a single child, speak a language different from the rest, one adult in the center should be available to communicate in the native language. Head Start has implemented this effort in at least three ways: (1) staff employment and development,

(2) curriculum development and (3) development of a resource network of experts in multicultural programming and education.

At least 35 percent of the staff of Head Start are parents of current or former Head Start children. Many of these staff persons are bilingual. Head Start has a long history of providing training for staff. The Child Development Associate (CDA) Program is a major national effort to improve the quality of child care. Focusing on the skills of child care providers, it is designed to provide performance-based training, assessment and credentialling of child care staff, home visitors and family day care providers in their work with young children and their families. Candidates for the CDA can obtain a credential with a Bilingual Specialization.

The Head Start Bureau developed four curriculum models for bilingual/bicultural early childhood programs in 1976. The contracts were awarded to High/Scope Educational Research Foundation, the University of California at Santa Cruz, Columbia University and the Intercultural Development Research Association. These curricula are currently being used by many grantees with Spanish-speaking children.

The cultural, racial, ethnic, and linguistic composition of the Head Start community is becoming increasingly diverse as Head Start reflects the demographic changes in America. For example, in FY 1989 Head Start had the following racial composition: American Indian 4%, Hispanic 22%, Black 38%, White 33% and Asian 3%. In order to meet the demands of this diversity, Head Start established A Multicultural Task Force that has developed a set of principles for multicultural programming in Head Start.

These principles are being reviewed and will be shared with all grantees in the near future. In addition, the Head Start Bureau has just announced (March 29, 1990) the availability of funds for competitive discretionary grants for a Multicultural Infusion Demonstration Network. The purpose of this effort is to demonstrate the infusion of multicultural principles across all the program components and services of Head Start. Staff from other Head Start grantees and delegate agencies will visit successful demonstration sites to see how selected grantees serving a variety of culturally diverse populations have reached this goal. In addition, successful grantees may assist other local Head Start grantees at their request and may present and disseminate their findings at selected state, regional, and national meetings.

Finally, the National Girl Scouts of the U.S.A. and Head Start are initiating a special literacy effort for Head Start girls and their families entitled: "Daisy Girl Scouts - A Head Start on Literacy: Playing in the World of Words." In this project Head Start girl graduates will participate in storytelling, singing, dramatic play, dancing, drawing and active listening. Such activities will help them to look forward to learning to read and succeed in school. The Girl Scouts will be developing materials in Mhong, Vietnamese and Spanish and other languages as needed.

MINORITY INITIATIVES

Mr. Roybal: In November, 1989, the Administration on Aging issued a Program Instruction (AOA-PI-90-02) to State and Area Agencies emphasizing an increased commitment to target services to older individuals in greatest economic or social need, particularly low-income minority persons. Regional Program Directors were required to review State intra-state funding formulas in terms of specific questions and guidelines. What have been the results of this review?

Dr. Berry: The Regional Program Directors reviewed each State intra-state formula and discussed with the State Director areas for improving allocation of resources to vulnerable and low-income minority elderly. As a result, some States are currently in the process of reviewing and revising their intra-State formulas, and a few States have already revised their intra-State formula.

Mr. Roybal: Are any States being required to revise their formulas?

Dr. Berry: No States are being required to revise their intra-state formulas, although several States have either already revised their formulas or are considering revisions of their formulas as a strategy to improve the participation levels of those older persons in greatest need.

Under the provisions of the Older Americans Act, AoA reviews and comments on intrastate funding formulas but does not approve them. As indicated in our PI, we encourage States to review their intra-state formulas to more effectively target vulnerable elders, but we have not required any State to revise its formula.

Mr. Roybal: What is the new State data collection system indicating regarding services to these target populations?

Dr. Berry: This is the first year of our new reporting system and we are still finalizing the data. Because the system is new to all of us, State and Area Agencies as well as AoA staff, we are carefully reviewing the preliminary figures.

Mr. Roybal: Minority participation in Older Americans Act Title III Supportive Services and Nutrition Service programs has, in recent years, been in the 15 to 17 percent range. The Title V Senior Community Service Employment Program has a minority participation rate which is more than twice (about 37 percent for the 1988-89 program year) as great as for Title III. What steps do you plan to increase minority participation under Title III and what type of a minority participation rate would be acceptable to you?

Dr. Berry: Eligibility for participation in the Title V program is limited to low-income persons age 55 or older. The fact that the percentage of low-income persons who are minorities is higher than in the general population may contribute to the rate of participation of minorities in that program. In Title III, on the other hand, all older persons are eligible to receive services, with a preference to older persons who are in the greatest economic or social need, and with particular attention to low-income minority older persons.

In addition to a Program Instruction which the Administration on Aging issued on the Intra-state Funding Formula, a Program Instruction, PI-90-5, on the responsibilities of State and Area Agencies to serve older Indians under Title III was also issued. Guidance has been issued--OSCP-90-4--on the role of AoA Regional Offices in working with States to enhance participation of low-income minorities. Each AoA Regional Office has been directed to designate a staff person as the focal point for matters related to targetting services. One Regional Office has been given a lead responsibility to coordinate the efforts of all the Regions in this area. It is planned that on a periodic basis, the Commissioner on Aging will convene and seek consultation from a group of experts in the area of minority issues.

It is our expectation that each State and Area Agency on Aging will make maximum efforts to assure that minority older persons have full access to all services provided under the Older Americans Act and that the rate of minority participation is appropriate to the individual population characteristics of each State and area.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Mr. Roybal: What specific initiatives do you have planned to promote training of minority students in the field of aging, such as training at Historically Black Colleges and Universities (HBCUs) and institutions with large Hispanic enrollment?

Dr. Berry: The February 9, 1990, Federal Register Announcement published information about, and requested applications, under the Administration on Aging (AoA) Fiscal Year 1990 Title IV Discretionary Funds Program. In this notice, AoA describes priority areas which address the training of minority students for the field of aging. Priority areas that address the training of minority students are as follows:

> 6.2--Minority Management Traineeship Program: This priority area will focus on the training of Black and Hispanic students. Awards made under this priority area will support special training projects designed to increase the number of qualified minorities in key management/administrative positions in State and Area Agencies on Aging and other agencies and organizations that impact the elderly. AoA expects to fund up to five projects under this priority area at a Federal Share of approximately $200,000 per project for an estimated duration of 17 months.
>
> 7.1B--Education and Training: Faculty and Program Development -- Awards made under this priority area will support projects designed to help meet the critical shortages of adequately trained personnel for programs in the field of aging. This year's education and training announcement provides continuing support for the development of educational programs in aging with special emphasis on the development of programs in institutions of higher education with predominately minority enrollments, including Historically Black Colleges and Universities. AoA expects to fund up to 5 projects under this priority area at a Federal Share of approximately $75,000 per project for an estimated duration of 17 months.

In response to Presidential Executive Order 12677, AoA is developing a Fiscal Year 1990 Initiative for Historically Black Colleges and Universities (HBCUs). The proposed topic is "Literacy and the Aging." AoA expects to make this announcement in late FY 1990.

Approximately five awards will be made at a Federal Share of approximately $100,000 per project for an estimated duration of 17 months.

Mr. Roybal: How much of your Title IV funding for FY's 1990 and 1991 will be allocated for HBCUs and educational institutions with large Hispanic enrollments?

Dr. Berry: The Administration on Aging estimates the following expenditures for FY 1990:

- Minority Management Traineeship Program--A total of $1 million with approximately $400,000 to HBCU's and other institutions with substantial Hispanic enrollments
- Education and Training-Faculty and Program Development--A total of $375,000 with approximately $300,000 to HBCU's or other institutions with substantial Hispanic enrollments
- HBCU Initiative--approximately $500,000.

AoA funding priorities for FY 1991 will be developed later in FY 1990.

Mr. Roybal: Section 425(a)(2) directs the Administration on Aging (AoA) to fund special training Programs and technical assistance projects to improve service to minorities. What plans do you have to implement this provision and at what funding levels for FY's 1990 and 1991?

Dr. Berry: The Administration on Aging (AoA) has funded a variety of programs designed to improve services to minorities:

- The Minority Management Traineeship Program has been supporting threeto nine-month internships for qualified minority individuals in management and administrative positions in the aging network and with service providers with the goal of eventual placement in those or similar positions. AoA has supported this program since 1981. In FY 1990 AoA expects to fund five projects in this priority area for a total of $1,000,000. In FY 1991 AoA plans to continue funding projects in this area but has not yet developed specific priorities.

- The FY 1990 AoA Discretionary Funds Program Announcement also includes a priority area (7.1B) for faculty and institutional development in gerontology which places special emphasis on supporting institutions of higher education with predominantly minority enrollments and Historically Black Colleges and Universities (HBCUs). The objective is to increase the numbers of minorities prepared for employment in the field of aging. AoA plans to fund up to five projects in this priority area for a total of $375,000. Continued funding for this area is planned for FY 1991, however, specific priorities have not yet been developed.

- Since 1988, AoA has been supporting Three Feathers Associates to conduct a Native Americans Leadership Institute. This project will increase the competencies and leadership skills of Title VI Directors in administering and managing multi-service aging programs for Indians and Alaskan Natives. AoA plans to re-fund this project in FY 1990. The planned level of support in FY 1990 is $200,000.

- AoA has planned and several major discretionary grant program efforts to provide technical assistance aimed at improving services to minority elderly. Three different priority areas of the AoA FY 1990 Discretionary Funds Program Announcement are designed to demonstrate a variety of approaches to targetting resources to low-income minority older persons. As many as fourteen (14) projects may qualify for funding at an aggregate funding level reaching $1.5 million in FY 1990 and $750,000 in FY 1991.

- The AoA-supported National Resource Center on Minority Aging Populations was created in 1988 at San Diego State University. Funding is projected for a three-year period. The Center carries out a number of technical assistance activities to better target resources to minority aging. Among them are (1) a compendium of best practices among aging network agencies to increase minority aging access to services, and (2) a telephone consultation service, site visits, and conferences with aging network agencies, minority aging organizations, and others aimed at improving services to minority elderly.

Mr. Roybal: I want to commend you for your recent Program Instruction for assisting states with their intra-state funding (IFFs) formulas to promote minority participation under the Older Americans Act. Please provide a brief summary of the development to implement this Program Instruction.

Dr. Berry: As indicated in the Administration on Aging's PI, the Regional Program Directors were to review each State intra-state formula and discuss with the respective State Director areas for improving allocation of resources to the vulnerable and low-income minority elderly. If a State elects to change its formula, the State must consult with all area agencies in the State regarding the proposed formula. After consultation with Area Agencies, the State must publish the proposed formula for review and comment by the general public. Finally, the State must submit the formula to the Commissioner on Aging for review and comment.

Mr. Roybal: Did you find that many states need to rework their IFFs to comply with the holding in the Meek vs. Martinez case?

Dr. Berry: As indicated in the PI, the Meek vs. Martinez case related specifically to Florida and no other States were required to revise their intra-state formulas based on the court ruling in that case. However, we encouraged States to review their intra-state formulas in light of the criteria considered in the Meek vs. Martinez case.

Mr. Roybal: In addition to your recent Program Instruction, what other steps has AoA taken to alert state units on aging about the impact of the Meek vs. Martinez case on their IFFs?

Dr. Berry: The Program Instruction (PI-90-1) which was issued on the Intrastate Funding Formula provided a thorough review of the possible implications to individual States of the Meek vs. Martinez case. The AoA-funded National Resource Center on Minority Aging Populations has done extensive work in the review of intrastate funding formulas and is available, as requested, to provide technical assistance on this matter to individual State Agencies on Aging.

Mr. Roybal: Does AoA monitor minority representation in the staffs of the Aging network?

Dr. Berry: AoA no longer directly monitors minority representation. We had collected data on this subject from the States until the 1987 Amendments increased the amount and types of program data which the States are required to submit. In an effort to compensate, to some degree, for this increase and in view of the relative stability of staff at the State and Area Agency levels, we eliminated the requirement for States to report on staff characteristics, including minority status.

To provide for a means to obtain the type of data eliminated from the State program performance report, in FY 1989 AoA funded a manpower study which will become one of a coordinated series of studies designed to increase the quality of personnel who are entering the field of service to the aging. This survey is being conducted by the Association for Gerontology in Higher Education and will include an assessment of minority representation in the staffs of the Aging network. We expect survey results to be available in early 1991.

Mr. Roybal: What efforts will you undertake to improve minority representation in the Aging network?

Dr. Berry: Through AoA's Title IV program, we have funded numerous projects to recruit, train, and employ minority students, college graduates, and professionals to serve as interns or trainees in management/administrative positions in agencies that service the elderly. At the beginning of FY 1990, we had 14 active grants to improve minority representation in Aging network agencies.

In our grants announcement for FY 1990 we have continued our commitment to improve minority representation by soliciting applications for Minority Management Traineeship Programs.

During FY 1990 we plan to conduct an analysis of the minority management program since its inception in order to evaluate its effectiveness and, if necessary, revise its structure to further support our goal of increasing minority representation in the Aging network.

AoA is also working to improve minority representation in indirect ways. Within the past two years, AoA has provided funding of nearly $600,000 to develop a National Resource Center on Minority Aging Populations. In addition to providing a computerized resource system containing a synthesis of information and materials on minority aging, this Center will provide policymakers with technical assistance in ways to enhance staff sensitivity to the concerns of minority populations.

AoA will also continue to fund national minority organizations in order to develop projects to provide technical assistance, and develop academic curricula and culturally sensitive programs for vulnerable minority elderly.

NATIONAL MINORITY ORGANIZATIONS

Mr. Roybal: What is the funding status of the four national minority organizations?

Dr. Berry: The Administration on Aging continues to provide Title IV grant support to each of the four national minority aging organizations: the National Caucus and Center on Black Aged; the Asociacion Nacional Pro Personas Mayores; the National Indian Council on Aging; and the National Pacific/Asian Resource Center on Aging. The level of AoA support increased from $911,000 in FY 1988 to $1,093,000 in FY 1989.

The FY 1990 AoA Discretionary Funds Program Announcement includes a priority area entitled "Targetting Program Resources to Low Income Minority Elderly" under which applicant eligibility is restricted to national minority aging organizations which provide special representation and outreach services for the minority elderly. AoA expects to fund up to (5) demonstration projects under this priority area with an approximate Federal share of up to $150,000 per year and an estimated project duration of up to 24 months.

Mr. Roybal: Continued funding for the National Pacific/Asian Resource Center on Aging (NP/ARCA) is under review. Can you give us a progress report on this review?

Dr. Berry: AoA undertook a site visit and program review of the NP/ARCA project in late 1988 and early 1989. Upon the conclusion of that review, a revised application for funding was approved by AoA at a level of $200,000 for the period ending July 31,1990.

Mr. Roybal: Is this organization being treated differently from the other three? If so, why?

Dr. Berry: AoA conducted a site visit/program review of NP/ARCA whose purpose was to evaluate and make recommendations for improving its organizational capacity to provide special representation and services to Pacific/Asian elderly. That special review was concluded months ago and its results have been incorporated by NP/ARCA into its organizational structure, staffing, and operations.

Mr. Roybal: Please provide the process of selection and funding for each of the four national minority aging organizations?

Dr. Berry: For most of the past decade, the four national minority aging organizations have competed successfully under annual AoA Discretionary Funds Program announcements. In FY 1987, however, and consistent with the Congressional funding mandate to maintain AoA support for the "originally-funded national minority aging organizations," there was a separate application and review process for the four organizations.

OFFICE FOR AMERICAN INDIAN, ALASKAN NATIVE, AND NATIVE HAWAIIAN PROGRAMS

Mr. Roybal: Last year this Committee was told the Office for American Indian, Alaskan Native and Native Hawaiian Programs would be established and that the Associate Commissioner would be appointed very soon. This program was authorized in the 1987 Older Americans Reauthorization Act. When will this position be filled?

Dr. Berry: The recruitment action for the position of Associate Commissioner for American Indian, Alaskan Native, and Native Hawaiian Programs is being processed, and the position will be advertised nationwide within the next several weeks.

Mr. Roybal: Last year AoA increased the number of Native American tribes eligible for Title VI funding forcing Congress to direct a reprogramming within AoA to avoid a reduction in the grants to existing tribes in the program. What steps have been taken to avoid this situation from occurring again?

Dr. Berry: The FY 1990 Appropriations Committee Report language directed the Department to be prudent in awarding new grants under this program so as to ensure that grants to existing grantees are not reduced in order to fund new grants. The Administration on Aging has taken action to ensure that the existing 181 Title VI grantees are held harmless. All existing grantees were funded from FY 1990 Title VI appropriations first. New Indian tribes have been invited to apply for FY 1990 funds by April 30, 1990.

WHITE HOUSE CONFERENCE ON AGING

Mr. Roybal: As you know, the White House Conference on Aging is to be held in 1991. Although the President's budget proposal contained a $1 million dollar appropriation for the program, President Bush has not yet called for the conference. More than 90 members of Congress wrote to the President last year to request that he call a White House Conference on Aging. Have you been instructed what his plans are for the Conference?

Dr. Berry: Currently a decision concerning a possible 1991 White House Conference on Aging is under active consideration within the Administration. At the present time, no final decision has been announced.

Mr. Roybal: Previous conferences have cost considerable more than $1,000,000. What is your estimate of the total cost for the 1991 White House Conference on Aging?

Dr. Berry: At this point we do not have a precise estimate of what the overall cost for a 1991 Conference should be. However, we believe that the Federal share should be at the $1,000,000 level proposed in the President's FY 1991 budget request and that the difference between this amount and a higher overall level should be made up by private sector contributions.

UNMET NEEDS SURVEY

Mr. Roybal: Last year the Administration on Aging presented Congress with the National Unmet Needs survey under Title III of the Older Americans Act. Unfortunately, the data was gathered by the states in very different formats making national statistics nearly impossible to ascertain. How do you plan to improve this survey?

Ms. Gall: The National Unmet Needs survey represented a sincere effort on the part of each State Agency on Aging to separate States. Given the broad range of the study, the task confronting them was great. As you point out, the States used varying methods of data collection and analysis which reflected the different levels and types of both financial and staff resources available to them.

Section 111 of the 1987 amendments to the Older Americans Act required that a single study be carried out, which was done. A new national study of umet needs based upon a common methododology for data collection and analysis would be very complicated and, most probably, would require that a major national contract be awarded to conduct the study. Given the budgetary restraints about which we are all concerned, we do not at this times have plans to consider such a contract.

HEAD START TEACHERS SALARIES

Mr. Early: The FY 90 bill includes $49 million to increase salaries in the Head Start program. Will the entire amount be used to increase salaries for Head Start teachers, or is the agency also planning to increase salaries for other personnel?

Ms. Gall: The $49.3 million was awarded to Head Start programs for purposes of increasing the salaries of all Head Start staff. Each program was given the opportunity to propose how to allocate the increased funds among its employees, so that programs could, for example, propose giving the majority of their increase to classroom staff or propose giving all staff the same proportionate increase.

ELIGIBLE HEAD START CHILDREN

Mr. Early: How many children are currently eligible for Head Start, and what percentage of children are now being served?

Ms. Gall: Precise data on the number of low-income preschool children living in the United States are available only from the official decennial census. Current estimates made by the Census Bureau indicate that there are currently 2,475,000 low-income three, four and five-year old children in the country. For planning purposes we have assumed these children are evenly divided among the three age groups, or 825,000 low-income three, four and five-year olds. We have also assumed that five-year old children should be served by public school kindergarten and thus would not be considered as part of Head Start's primary constituency. Thus, Head Start's target audience should be primarily the 825,000 three and 825,000 four-year old children living in families with incomes below the poverty line.

In FY 1990, we will enroll an estimated 112,743 three year olds, 107,106 of whom will be low-income, or 13 percent of the eligible population, and 326,121 four year olds, 309,815 of whom will be low-income, or 37.6 percent of the eligible population.

HEAD START "INCENTIVE"

Mr. Early: Of the increase proposed ($500 million) for Head Start, $73.8 million will be used as "incentive money" to encourage States to make available State resources. How would this "incentive" aspect of the program work?

Ms. Gall: Funds would be allocated to Head Start grantees in those States which appropriated State funds to provide Head Start services to the State's low-income children.

Mr. Early: How would these funds be distributed.

Ms. Gall: Decisions have not yet been made as to what process will be used to distribute these funds to Head Start grantees. The underlying principle will be to allocate funds to grantees in those States which have made available State funds to support the provision of Head Start services to the low-income children of their State.

Mr. Early: Would this provision work to the disadvantage of States with children who could benefit from the program, but do not have the resources.

Ms. Gall: Most of the President's proposed $500 million increase would be distributed to all States, in accord with the allocation formula in the Head Start Act. The "incentive funds" would be allocated only to those States which have committed State resources to provide Head Start services to low-income children. States not contributing State resources for this purpose would not be eligible to receive a share of these funds, although they would receive their full fair share of the "non-incentive funds" requested for FY 1991. Through this effort we intend to increase the total number of children served by Head Start beyond what would be possible with Federal funds alone.

HEAD START DISCRETIONARY ACTIVITIES

Mr. Early: $36.5 million would be reserved for discretionary activities. What types of training, technical assistance, and special handicapped projects will be supported?

Ms. Gall: In addition to allocating approximately $16 million directly to Head Start grantees for training and technical assistance, we will fund in FY 1991 such projects as Regional Training Centers, which assist grantees in meeting their training and technical assistance needs; Resource Access Projects, which assist programs in the provision of services to children with disabilities; and Interagency agreements with the Public Health Service and the Indian Health Service to provide assistance to grantees on health issues.

EARLY CHILDHOOD PROVIDERS

Mr. Early: What progress have you made in improving the coordination of the provision of services among early childhood providers?

Ms. Gall: Head Start at the local level frequently is a catalyst in the community to assure that economically disadvantaged children receive services. Increasingly Head Start serves as a resource and referral agency for child care and other child development programs.

At the State level, Head Start programs have played an active role in working with States who are implementing State preschool programs.

At the Federal level, Head Start is working with the Department of Education's Even Start program which promotes family literacy, and with the National Association for the Education of Young Children and other national organizations representing the interests of young children. In addition, we will soon be announcing the availability of funds to support ten State collaboration projects designed to promote coordination between Head Start and related programs.

CHILDHOOD DEVELOPMENT ASSOCIATE

Mr. Early: What is your assessment of the success and benefits of the childhood development associate training program?

Ms. Gall: Although the Child Development Associate (CDA) has been a creative force in the Early Childhood field since 1975, the last few years have seen tremendous growth and a new found stability which has added to its acceptance in the field.

Since 1985, through a cooperative agreement initiated by ACYF, the CDA program has been administered by the Council for Early Childhood Professional Recognition, which is closely affiliated with the National Association for the Education of Young Children. As a result the number of credentials awarded has increased from 1,913 in Fiscal Year 1986 to 4,715 in Fiscal Year 1989.

In addition, as a result of the Council's strong leadership, there are now 42 States and the District of Columbia which list in their child care licensing regulations the CDA credential as a qualification for teaching staff and/or directors.

The CDA competency-based standards are being adopted and used by the profession far beyond the arena of CDA training and credentialling. In fact, these standards now serve as the basis for the development of text books in child development and early childhood education.

In studies conducted in 1983 and 1988 of CDAs, it was found that the credential has increased the individual's access to better positions within the work force, including improved salaries and increased self-esteem. In short, we think the CDA system has proven to be a major success and an important benefit to Head Start staff.

HEAD START QUALIFICATION STANDARDS

Mr. Early: Bring us up to date on your efforts and plans to develop staffing qualifications for other than Head Start classroom staff or home visitors.

Ms. Gall: Preliminary meetings have been held on this subject. We expect to have a more definite timetable developed within the next few months.

HEAD START SCHOOL YEAR

Mr. Early: What is the present length of the Head Start school year, and do you plan to continue increasing service levels (i.e., weeks)?

Ms. Gall: The length of the Head Start year varies among grantees, the average being approximately 34 weeks. In the past few years we have made funds available to permit those grantees which were operating below 32 weeks per year to increase their service level to 32 weeks, the minimum level of service we have proposed in a Notice of Proposed Rulemaking, published on December 8, 1988. We plan to publish a final rule making this a regulatory requirement in the near future.

COMPREHENSIVE CHILD DEVELOPMENT CENTERS

Mr. Early: Will planning grants be converted to operating grants in FY90?

Ms. Gall: Awarding planning grants in FY 1989 was a one-time process. Planning grantees competed for operating grants along with other eligible applicantsin FY 1989. Planning grantees that were successful in the operating grant competition were awarded operating grants; those that were not successful did not receive operating grants.

Mr. Early: How many operational grants do you anticipate awarding in FY 1990 and FY 1991?

Ms. Gall: Twenty-four operating grants will be funded in fiscal years 1990 and 1991.

Mr. Early: Please provide for the record a list of the entities which have received operational grants; indicating the type of entity and the amount of the award.

Ms. Gall: Following is a list of agencies with operating grants:

Project Teen Aid, Brooklyn NY - Family Service Agency - $905,994

Community Action of Lexington-Fayette Counties, Lexington KY. - Community Action Agency - $950,270

Children's Home Society, Seattle WA - Child Welfare Agency - $1,342,571

Arkansas Children's Hospital, Little Rock AR - Hospital - $581,274

Tennessee State University, Nashville TN - University - $600,000

Southwest Human Development, Phoenix AZ - Head Start Resource Access Project - $850,430

Venice Family Clinic, Venice CA - Family Service Agency - $939,312

Grand Rapids Child Guidance, Grand Rapids MI - Family Service Agency - $769,200

Developmental Center for Handicapped Persons, Logan UT - Human Service Agency - $794,413

Community Action of West Central Wisconsin, Glenwood City WI - Community Action Agency - $400,130

Avance-San Antonio, San Antonio TX - Human Service Agency - $814,869

La Clinica de Familia, San Miguel NM - Migrant Health Clinic - $734,781

Clayton Foundation, Denver CO - Foundation - $937,000

University of Pittsburg, Pittsburg PA - University - $1,000,000

Brattleboro School District, Brattleboro VT - School System - $495,033

University of Kansas Medical Center, Kansas City KS - University - $897,092

Day Care Association of Fort Worth, Ft. Worth TX - Head Start Grantee - $891,469

New England Hospital, Roxbury MA - Community Health Center - $651,188

City of Albuquerque, Albuquerque NM - City Government - $1,000,236

Friends of the Family, Baltimore MD - Family Service Agency - $510,916

Edward Mazique Parent Center, Washington DC - Head Start Parent Child Center - $646,641

Mid-Iowa Community Action, Marshalltown IA - Community Action Agency - $546,722

In addition, two other agencies will be funded in the next several weeks.

ABANDONED INFANTS PROGRAM

Mr. Early: The FY90 bill includes $9,867 million for a program to prevent the abandonment of infants and young children. What are your program plans for FY90?

Ms. Gall: HDS is developing a program announcement to request applications for funding under three priority areas which support the objectives of the legislation. In addition, funds have been transferred to the Administration for Developmental Disabilities to assist them to address the needs of abandoned children who are HIV positive; and discussion is underway to provide supplemental funding for certain Maternal and Child Health Projects serving HIV positive children to broaden their focus to provide services for children who are at risk because of prenatal drug exposure.

ABANDONED INFANTS PROJECTS

Mr. Early: How many projects do you expect to fund, and when do you expect to make awards?

Ms. Gall: We expect to fund approximately 50 projects, and will make the awards before September 30, 1990.

Mr. Early: What criteria have been established for this grant program?

Ms. Gall: Projects will be funded in three areas. Applicants must specify need, services coordination, and detailed plans for programs as specified in a program announcement to be issued in the Federal Register in the spring of 1990. Projects will be reviewed competitively according to standard criteria developed for our consolidated funding reviews.

Mr. Early: How will this program be coordinated with the activities of HRSA's Maternal and Child Health and Pediatric Aids Demonstration Programs?

Ms Gall: An Interagency Agreement is being negotiated with HRSA, to allow for coordination, and some joint funding. We have already had a number of substantive meetings between the two agencies.

COORDINATION PROGRAMS

Mr. Early: To what extent will there be coordination between HDS and ADAMHA programs addressing substance abuse, particularly drug abuse?

Ms Gall: ACYF plans to convene quarterly meetings with ADAMHA, OSAP and MCH staff to maintain exchange of information and to coordinate programs as appropriate.

Mr. Early: Do you anticipate joint funding of projects or supplementing HRSA and ADAMHA grant awards pertinent to addressing this issue?

Ms. Gall: An Interagency Agreement is being negotiated with HRSA which will allow for some supplementation of MCH grants to broaden their successful services projects. A number of preliminary meetings have taken place between ADAMHA and HDS. While these discussions have been quite positive, it is too early to report on results.

CHILD CARE

Mr. Dwyer: As you know, the House will soon be debating major child care legislation. The Senate has already passed such legislation. As it currently reads, the House and Senate bills will amend Title XX to provide a child care allotment to each State. If this legislation is agreed to and the measure is signed into law by the President, will the Office of Human Development Services consider sending a later transmittal to provide additional funding under Title XX?

Ms. Gall: While H.R. 3, the Early Childhood Education and Development Act of 1990", was passed by the House on March 29, 1990, it is still unclear what will happen in the child care conference and whether the President would sign a bill which emerged. If a child care bill is finally enacted, the Office of Human Development Services will take all steps necessary to implement the legislation and will work with the appropriate committees of the Congress to that end.

Mr. Dwyer: Currently, what portion of Title XX funds are used by States to provide child care services?

Ms. Gall: In fiscal year 1988, the last year for which information is available, all States except California and Montana reported that they provided child day care services using Social Services Block Grant (Title XX of the Social Security Act) funds. The Office of Human Development Services does not currently have data on child care expenditures under Title XX as States have not yet begun reporting expenditures in the different service categories as required by The Family Support Act, Public Law 100-485.

On April 5, 1990, the Department of Health and Human Services published proposed regulations on data collection for the Title XX program. These new requirements would provide additional information on State expenditures when fully implemented.

The Department of Health and Human Services has estimated, based on research which we have sponsored, that the States will expend approximately $660 million in Title XX funds on child care in fiscal year 1990.

HEAD START PROGRAM - SPECIAL NEEDS

Mr. Dwyer: The President has requested an increase of $557 million over the fiscal year 1990 appropriations for Head Start. It is my understanding that these additional dollars will be used in servicing additional eligible four year olds. What types of programs are available under Head Start to children with "special needs"?

Ms. Gall: Special needs children are an integral part of the Head Start program. Head Start legislation requires that at least ten percent of the enrollment opportunities in each State "shall be available for handicapped children." In the 1988-89 program year 13.5 percent of Head Start children were special needs children. All such children are fully integrated into the Head Start program. Special needs children and their families receive the full range of Head Start services. In addition, Head Start staff members work closely with community agencies to provide services to meet the special needs of these children.

FOSTER CARE PROGRAM

Mr. Dwyer: As you may know, the State of New Jersey is faced with an enormous Pediatric AIDS problem. One or both parents of these children are typically IV-drug abusers and also have AIDS. Unfortunately, many of these parents are dying or so ill that they are not physically able to care for these children, and these children subsequently are placed in foster care. The Administration has requested that the Child Welfare Services account receive a $47.352 million "increase," which in actuality is a transfer from Payments to States for Foster Care and Adoption Assistance account. As the incidence of Pediatric AIDS is expected to increase dramatically over the next several years, how can you justify a $47.352 million cut to foster care?

Ms. Gall: We are not proposing a cut in Foster Care maintenance payments. The $47 million increase would be additional funding provided in the title IV-E appropriation account, but to be moved to title IV-B Child Welfare Services in the Human Development Services account. This increase and transfer is part of our legislative proposal which would limit growth in administrative costs, thus allowing for an increase in funds directed to child welfare services.

SPECIAL NEEDS CHILDREN

Mr. Dwyer: Don't you believe that the placement of special needs children, especially those who are HIV-positive, will be negatively impacted by cutting foster care and adoption assistance?

Ms. Gall: The $47 million is not a cut in current funds for Foster Care and Adoption maintenance payments. The intent of our proposal is to restrict undirected growth in administrative costs and to target increases to needed service areas, not to reduce already available funding for payments. The proposal still allows for increases in administrative costs at over two times the current annual rate of inflation. At the same time, maintnance payments for children in care will remain open-ended entitlements.

ABANDONED INFANTS ASSISTANCE

Mr. Dwyer: In addition, the President has requested to fund abandoned infants assistance at the fiscal year 1990 level, $9.867 million. Daily, we read in the newspapers and hear on the news the heart breaking stories of infants, many of whom are HIV positive, abandoned by their AIDS-infected mothers at local hospitals. By all accounts, this is a growing problem. Why haven't you requested additional money for this progress?

Ms. Gall: We expect to fund approximately 50 projects under the Abandoned Infants Assistance Act by September 30, 1990. In addition, we have requested $6 million in new funds under the Section 426 Research and Demonstration program to support the effort to find innovative ways to meet the immediate non-medical needs of infants born to crack/cocaine using mothers and HIV-infected children and to increase access to comprehensive multidisciplinary services.

CHILD ABUSE AND NEGLECT

Mr. Hoyer: I am told by the State Health and Social Services Departments which receive the ADAMNA and social services block grants as well as the Federal Child Welfare Funds, that the Federal drug money is used almost entirely to buy treatment services, not to target the children of substance abusing parents. Please quantify the number of child abuse and neglect cases both reported and unreported?

Ms. Gall: An estimated 25.2 children per 1,000, or more than one and a half million children nationwide, experienced abuse and neglect or were at risk of, or threatened with, abuse and neglect. These are minimum estimates reported in the Study of National Incidence and Prevalence of Child Abuse and Neglect that was conducted in 1986 and published in 1988. Data were collected on cases of child maltreatment which were recognized and reported by local Child Protective Services (CPS) staff as well as key respondents in a variety of other non-CPS agencies (schools, hospitals, police departments, juvenile probation authorities, etc.).

There are no estimates on unreported cases of child abuse and neglect.

SUBSTANCE ABUSERS

Mr. Hoyer: Can we quantify the proportion that are candidates for intervention because their parents are substance abusers?

Ms. Gall: Current data collection efforts do not provide any statistics regarding the numbers of cases of abuse and neglect that involve substance abuse. Anecdotal information from the field indicates that the proportion of child maltreatment related to parental substance abuse is growing. In addition, this information indicates that intervention strategies aimed at newer drugs (crack, ice and crank) are much less successful than those strategies used in cases of alcohol and opiate abuse.

Mr. Hoyer: How many children, both those which are reported and those which may not be, are the victims of severe neglect as a result of parental substance abuse?

Ms. Gall: Current data collection efforts do not provide any statistics regarding the numbers of cases of abuse and neglect that result from parental substance abuse. Anecdotal information from the field indicates that the crisis involving substance abusing parents has resulted in increased abuse and neglect of children.

CRACK BABIES

Mr. Hoyer: Are there any estimates of the numbers of crack babies?

Ms. Gall: The President's National Drug Control Strategy estimates that 100,000 crack/cocaine babies are born each year, while a recent study of the National Association for Perinatal Addiction, Research and Education estimated that in seven major hospitals around the country, between 10 and 17 percent of women were using crack/cocaine at the time of delivery. Dr. Neal Halfon of Oakland, CA estimates that 375,000 babies were born drug exposed in 1989.

IG's REPORT - CRACK BABIES

Mr. Hoyer: Could you relate some of the findings and recommendations contained in the Inspector General's draft report on "Crack Babies"?

Ms. Gall: The real size of the problem is still unclear. Most children are not identified at birth. Many are premature, are likely to have special medical needs, and will probably continue to have developmental problems. The child welfare system is having difficulty meeting the needs of these children and families. More coordination between medical care and child welfare is needed. About 75% of the children go home to their families initially, but probably half of all the children will eventually enter foster care.

The report recommends that States develop guidelines for child welfare staff, establish reporting and tracking systems, and coordinate and integrate funding. It recommends that HDS identify and disseminate effective service models, focus strategies to serve the entire family, and develop federal interagency HDS coordination. Finally it recommends that, through coordination with PHS, that HDS fund research, training and prevention efforts.

Mr. Hoyer: I am interested in a newly authorized emergency Child Protective Services Discretionary Grant Program (P.L. 101-226, SEC 107) that targets assistance not only to drug-affected babies, but to those young people who are almost criminally neglected by substance abusing parents. Doesn't the draft IG Report recommend reducing placement barriers, training for child welfare staff, and better coordination of services?

Ms. Gall: Yes, it does. The agency recognizes these service needs and, within our existing authorities, we are doing all that we can to address these emerging needs.

Mr. Hoyer: I wondered if you would be interested in examining this program which seems to fit very neatly into several of the IG's draft recommendations in his report on "Crack Babies?

Ms. Gall: Section 21 of the Drug-Free Schools and Communities Act Amendments of 1989 (P.L. 101-226) amended the Child Abuse Prevention and Treatment Act to add a new section 107A which established an Emergency Child Abuse Prevention Services Grant program. While we support the purpose of this program we believe we can do these functions under existing authority.

CAP - ADMINISTRATIVE EXPENSES

Mr. Hoyer: The administration has proposed placing a cap on administrative expenses associated with State foster care payments. How much is this expected to save?

Ms. Gall: We expect to save $161 million in fiscal year 1991 and a total of $2.6 billion in the five fiscal years 1991 - 1995.

Mr. Hoyer: Are these expenses "administrative" in the usual sense of the word - they would not be correctly termed "overhead" would they?

Ms. Gall: Our estimates are that the bulk of the funds are not used for overhead or traditional administrative costs, but rather for activities related directly to children and their families.

Mr. Hoyer: What is the expected impact of the cap on State programs, and have you received any evaluations of this proposal from State goverments?

Ms. Gall: We do not expect the proposal will have a negative impact on States. The proposal still allows for a ten percent increase per year per State. This is more than two times the annual CPI increase. In addition, a key component of the proposal is the request for a $47 million increase for Child Welfare Services. This increase will provide much needed relief to State Child Welfare systems.

HEAD START - INCREASE

Mr. Hoyer: The budget proposal includes a 36 percent or $500 million increase for the Head Start program. The increase is projected to enable the provision of services to an additional 180,000 children (total 667,000/60 percent of eligible four year olds). I wish the President had proposed a budget that would have reached 100 percent of eligible disadvantaged children. How much would it cost to achieve that goal?

Ms. Gall: The President is committed to providing Head Start services to all low-income children for at least one year prior to the child's entry into kindergarten. This means, for the most part, serving children when they are four years old. We estimate there would need to be funded 693,000 enrollment slots to serve all four year old children whose parents would be interested in enrolling their child in head Start. This will cost, after including the new children that will be enrolled in FY 1990 expansion, an additional $1,015 billion.

HEAD START TEACHER SALARIES

Mr. Hoyer: Last year's bill included a provision that provided for improved Head Start teacher salaries, and I was interested in how Head Start salaries compare to other pre-school teacher salaries once that increase was applied?

Ms. Gall: We do not have data on how Head Start teachers compare to other pre-school teachers.

In April 1988, OHDS conducted a survey of Head Start programs to collect information on the salaries of Head Start classroom personnel and how they compared to salaries of teachers in public school kindergarten. This survey indicated that a prospective teacher, with a college degree in early childhood education, would earn a starting salary in a Head Start program equivalent to 63 percent of what the same individual would be paid as a kindergarten teacher in the public school system. This, of course, was prior to the 1990 Head Start salary increase.

HEAD START SERVICES

Mr. Hoyer: The action council on minority education recently issued a report called "Education that works". One of their recommendations is that students start school prepared to learn, and to achieve that goal we must enable parents to better assume the role of first teachers of their children. Head Start is clearly a success, but are there any suggestions you have that together with this proposed funding increase that enhance the programs ability to productively involve parents without diminishing the services available to children?

Ms. Gall: One of the standard components of Head Start is parent involvement. An important principle in Head Start is that parents are the primary educators of their children. Therefore, the Head Start program provides parenting education, training in self development and opportunities for parents to be involved in decision making activities concerning their Head Start program. The emphasis on parents will continue as we serve additional children and families.

In addition, Head Start has a special initiative underway on family literacy which focuses on the interaction between parent and child to promote literacy. By 1992 all Head Start programs will have literacy activities.

Another special initiative, which will be announced soon, is the family service center program. This project will focus on Head Start's role in issues such as substance abuse, literacy and employability and what Head Start programs can do to help families in these areas.

HEAD START - DISADVANTAGED PARENTS

Mr. Hoyer: How do we make disadvantaged parents better advocates for their disadvantaged children?

Ms. Gall: Low-income parents are helped to adopt an advocacy role for their children in a variety of ways in Head Start. The primary approach of developing their advocacy strengths and skills is through the Parent Involvement component and its related activities. Parent Involvement is concerned with strengthening the role of parents as the most important early educators of their children. Inherent in this process is a requirement of providing opportunities for low-income parents to improve their self-sufficiency, self-image, and self-confidence through a variety of strategies, including parent education, literacy training, G.E.D., and college credit programs. Over 35% of the current Head Start program staff are parents of current or former Head Start children.

Head Start offers four primary avenues for the low-income parent's participation and self-development as an advocate for their children. First, parents join in making decisions about what kind of program to have and how it will operate. Parents build and nurture their advocacy skills through their involvement in the administration and direction of the local Head Start programs. The local "Parent Policy Council" must sign the annual refunding grant application before the application can be considered valid. Second, parents participate in the classroom as paid employees, volunteers, and observers. Head Start also provides a unique opportunity for upward mobility for many parents. Third, parents participate in adult activities which they have planned. Fourth, parents, as prime educators, work with their own children, with the support of Head Start staff.

MATERNAL SUBSTANCE ABUSE

Mr. Hoyer: We are all very concerned about the number of families that are dysfunctional or disintegrating because of substance abuse. The ultimate impact on society will be numbing, and HHS is on the frontline. Can you provide the committee an update on what the Department is doing to prepare for the number of children who are exposed to maternal substance abuse in terms of the developmental problems that may not be revealed until they enroll in a program like Head Start?

Ms. Gall: Substance abuse is a problem of major concern to Head Start. In addition to informal meetings of grantees as well as individual efforts of Head Start grantees and regional offices to address the problem of substance abuse, Head Start will develop a national workplan on substance abuse, with an initial draft available by mid-July. To inform this effort, in early May Head Start is convening a national workgroup with participants from both the substance abuse and early childhood fields, including Head Start Federal personnel and grantees, as well as other Federal agencies concerned with substance abuse. Head Start is also preparing a publication, for distribution in the fall of 1990, to inform Head Start grantees of the training and technical assistance resources which are available for programs working with preschool children and their families.

Approximately 25 Head Start grantees have received grants from either Head Start or the Office of Substance Abuse Prevention to develop substance abuse prevention or treatment intervention programs for Head Start children and families. In late May a number of these grantees will be convened to determine what has been learned and how this information can be distributed to other grantees.

Head Start is also planning to announce in the Federal Register a solicitation of applications to develop Family Service Centers which have as their focus issues of literacy, employment and substance abuse. These grant awards will be made by September, 1990, and will develop further models and approaches for Head Start grantees to use in addressing issues of substance abuse.

The Abandoned Infants Assistance Act of 1988 states that all public and non-profit private agencies are eligible to apply for these grants. The Act authorizes the Department to make grants to develop, implement, and operate projects to 0emonstrate the methods of serving abandoned infants and young children, particularly those with AIDS and those who have been exposed to drugs. The purposes of the Act are to prevent the abandonment of infants and young children; to identify and address the needs of those who are, or might be, abandoned; to develop appropriate service responses for such children and their families; to recruit and train health and social services personnel, foster care families, and residential care providers to serve such children; and to develop technical assistance and training programs to support the planning, development and operation of projects and programs. Funds to carry out the purposes of this Act were appropriated for the first time in FY 1990.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Appropriation Title	FY 1991 Appropriation Estimate FTE	FY 1991 Appropriation Estimate Amounts	Page
Social Services Block Grant	—	$2,800,000,000	1
Human Development Services	1,000	3,327,502,000	15
Payments to States for Foster Care and Adoption Assistance	—	2,471,283,000	179

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Human Development Services

Social Services Block Grant

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Appropriation Estimate
Office of Human Development Services
Social Services Block Grant

For *monthly payments to States for* 1/ carrying out the Social Services Block Grant Act, [$2,700,000,000] *$2,800,000,000*. *(Department of Health and Human Services Appropriation Act, 1990.)*

[For an additional amount for carrying out the Social Services Block Grant Act, $100,000,000: *Provided*, That this amount shall only become available if specifically authorized in law.] 1/ *(Public Law 101-198, making supplemental appropriations for the fiscal year 1990.)*

Explanation of Language Change

1/ Language is added to stipulate that payments will be made in twelve monthly allotments.

2/ Language providing supplemental appropriations is not required.

Social Services Block Grant

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation	$2,700,000,000	$2,800,000,000	$2,800,000,000
Sequester Order	—	37,800,000	—
Adjusted appropriation	2,700,000,000	2,762,200,000	2,800,000,000
Offsetting collections from: Federal Funds.......	4,281,000	—	—
Recovery of prior year obligations....	432,000	—	—
Unobligated balance, start of year.......	22,465,000	1,200,000	1,200,000
Unobligated balance, end of year.........	1,200,000	-1,200,000	1,200,000
Unobligated balance, lapsing.............	21,697,000	—	
Total obligations	$2,700,000,000	$2,762,200,000	$2,800,000,000

Summary of Changes

1990 Budget Authority	$2,762,200,000
1991 Request	2,800,000,000
Net Change	+$37,800,000

	1990	Change from Base
Increases:		
1. Increase to fund in 1991 at the full authorization level	$2,762,200,000	+$37,800,000
Net Change		+$37,800,000

Social Services Block Grant

Budget Authority by Activity
(dollars in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
Social Services Block Grant...........	$2,700,000	$2,762,200	$2,800,000
Total Budget Authority...........	$2,700,000	$2,762,200	$2,800,000
Obligations...........	($2,700,000)	($2,762,200)	($2,800,000)

Budget Authority by Object
(dollars in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
Grants, subsidies and contributions......	$2,700,000	$2,762,200	$2,800,000
Total Budget Authority..............	$2,700,000	$2,762,200	$2,800,000

Authorizing Legislation

	1990 Amount Authorized	1990 Estimate	1991 Amount Authorized	1991 Budget Request
Social Services Block Grant (Social Security Act, Title XX, amended.	$2,800,000,000	$2,762,200,000	$2,800,000,000	$2,800,000,000
Total Appropriation against definite authorization	$2,800,000,000	$2,762,200,000	$2,800,000,000	$2,800,000,000

Social Services Block Grant

Year	Budget Estimate To Congress	House Allowance	Senate Allowance	Appropriation
1978	$2,646,134,000	$2,646,134,000	$2,646,134,000	$2,646,134,000
1979	2,908,400,000	2,908,400,000	2,908,400,000	2,908,400,000
1980	3,310,100,000	3,271,100,000	3,271,100,000	3,271,100,000
1981	3,351,100,000	2,991,100,000	2,991,100,000	2,991,100,000
1982	1,974,126,000	2,400,000,000	2,400,000,000	2,400,000,000
1983	1,974,126,000	1,974,126,000	2,450,000,000	2,450,000,000
1984	2,500,000,000	2,500,000,000	2,675,000,000	2,675,000,000
1985	2,700,000,000	2,700,000,000	2,700,000,000	2,725,000,000
1986	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
1986 sequester	-116,100,000	-116,100,000	-116,100,000	-116,100,000
1987	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
1988	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
1989	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
1990	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000
1990 Supplemental	—	100,000,000	100,000,000	100,000,000
1990 Sequester	—	—	—	37,800,000
1991 Request	2,800,000,000			

SOCIAL SERVICES BLOCK GRANT

Justification

	1990 Appropriation	1991 Estimate	Increase or Decrease
Social Services Block Grant	$2,762,200,000	$2,800,000,000	+$37,800,000

General Statement

The Social Services Block Grant is based on two fundamental principles: (1) State and local governments and communities are responsible for determining the needs of their people, establishing priorities, implementing programs directed toward achieving self-sufficiency and reducing the need for social services; and (2) social and economic needs are interrelated and both must be met together in order to: prevent, reduce or eliminate dependency; achieve or maintain self-sufficiency; prevent neglect, abuse or exploitation of children and adults; prevent or reduce inappropriate institutional care; and secure admission or referral for institutional care when other forms of care are not appropriate.

Effect of Proposed Legislation

The President's appropriation request of $2,800,000,000 for the Social Services Block Grant represents current law requirements. No proposed law amounts are included.

Program Accomplishments

Fiscal Year 1990 is the nineth year of State implementation of the Social Services Block Grant. The program affords each State the flexibility to control its own programs. To the extent possible, it does not burden States' administration with definitions of permissible and prohibited activities, procedural rules, paperwork, or recordkeeping requirements.

Social Services Block Grant

Authorizing legislation - Sections 2001 and 2005 of Title XX of the Social Security Act, as amended.

1991 Authorization: $2,800,000,000

1990 Appropriation	1991 Estimate	Increase or Decrease
$2,762,200,000	$2,800,000,000	+$37,800,000

Purpose and Method of Operations - This program encourages each State, as far as practicable under the conditions in the State, to furnish a variety of social services best suited to the needs of individuals residing within the State.

Beginning with Fiscal Year 1982 the Social Services Block Grant replaced Grants to States for Social Services, Child Day Care, and State and local training and retraining.

Social Services Block Grant funds are distributed to Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Commonwealth of the Northern Marianas, based on the same ratio allotted to them in 1981 to the total 1981 appropriation ($2.9 billion). The remainder is distributed to the States and the District of Columbia in proportion to the percentage of their population to the National population. There are no matching requirements.

Funding for this program during the last five years is as follows:

1986	$2,583,900,000
1987	$2,700,000,000
1988	$2,700,000,000
1989	$2,700,000,000
1990	$2,762,200,000

Rationale for the Budget Request - The Social Services Block Grant is an appropriated entitlement program. States are entitled to their portion of the funds appropriated. The budget request for Fiscal Year 1991 of $2.8 billion is the full authorization level for 1991.

STATE TABLES

11

OFFICE OF HUMAN DEVELOPMENT SERVICES
SOCIAL SERVICES - TITLE XX BLOCK GRANTS

State Allocations

	1989 Actual	1990 Estimate	1991 Estimate
Total 56 "States"	$2,700,000,000	$2,762,200,000	$2,800,000,000
Alabama..............	45,144,884	46,078,822	46,475,572
Alaska...............	5,948,031	6,197,540	5,935,462
American Samoa.......	176,282	180,174	179,896
Arizona..............	36,534,720	39,623,983	39,498,006
Arkansas.............	26,420,840	26,848,549	27,128,685
California...........	300,531,480	314,060,900	320,718,827
Colorado.............	36,389,917	37,476,099	37,391,144
Connecticut..........	35,521,104	36,189,607	36,620,893
Delaware.............	7,050,755	7,260,295	7,475,964
Dist. of Columbia....	6,972,785	6,902,314	6,988,893
Florida..............	130,043,552	137,028,282	139,721,224
Georgia..............	67,990,222	71,417,140	71,837,211
Guam.................	465,517	476,241	482,758
Hawaii...............	11,829,229	12,316,772	12,437,285
Idaho................	11,172,050	11,287,578	11,361,199
Illinois.............	128,684,639	129,588,996	131,565,626
Indiana..............	61,295,903	61,874,718	62,934,019
Iowa.................	31,756,246	31,356,868	32,101,333
Kansas...............	27,412,178	27,709,940	28,272,734
Kentucky.............	41,524,828	41,816,614	42,205,211
Louisiana............	50,134,992	50,419,337	49,930,373
Maine................	13,076,756	13,345,966	13,660,623
Maryland.............	49,711,724	51,448,532	52,354,398
Massachusetts........	64,960,514	65,432,151	66,717,309
Michigan.............	101,862,808	103,266,231	104,663,487
Minnesota............	46,938,204	47,779,230	48,786,324
Mississippi..........	29,238,914	29,768,329	29,677,309
Missouri.............	56,428,320	57,411,147	58,233,223
Montana..............	9,122,541	9,072,572	9,118,409
Nebraska.............	17,799,537	17,820,724	18,146,202
Nevada...............	10,726,505	11,421,820	11,938,887
New Hampshire........	11,439,377	12,171,342	12,290,031
New Jersey...........	84,876,391	86,765,560	87,457,443
New Mexico...........	16,474,040	17,417,996	17,070,116
New York.............	197,955,804	198,623,327	202,859,131
North Carolina.......	70,518,692	72,849,063	73,479,658

	1989 Actual	1990 Estimate	1991 Estimate
North Dakota.........	7,563,132	7,484,033	7,555,253
N. Mariana Islands............	93,103	95,248	96,551
Ohio.................	119,762,593	120,583,545	122,956,942
Oklahoma.............	36,813,185	36,782,512	36,722,838
Oregon...............	30,052,035	30,573,785	31,342,410
Pennsylvania.........	132,427,220	132,676,579	135,949,260
Puerto Rico..........	13,965,517	14,287,241	14,482,758
Rhode Island.........	10,860,168	11,063,840	11,247,927
South Carolina.......	37,604,028	38,751,405	39,294,116
South Dakota.........	7,886,153	7,909,135	8,076,305
Tennessee............	53,498,859	54,715,105	55,446,728
Texas................	185,814,693	192,325,105	190,716,354
Utah.................	18,545,826	19,263,833	19,142,996
Vermont..............	6,026,001	6,175,166	6,309,260
Virgin Islands.......	465,517	476,241	482,758
Virginia.............	64,459,275	66,864,073	68,133,211
Washington...........	49,711,724	51,056,991	52,648,905
West Virginia........	21,375,039	21,098,485	21,261,186
Wisconsin............	53,298,364	53,663,537	54,993,640
Wyoming..............	5,647,287	5,649,382	5,425,737

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Human Development Services

Human Development Services

FY 1991 Budget — Page

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Appropriation Estimate

Office of Human Development Services

Human Development Services

For carrying out, except as otherwise provided, the Runaway and Homeless Youth Act, the Older Americans Act of 1965, the Developmental Disabilities Assistance and Bill of Rights Act, the Child Abuse Prevention and Treatment Act, [section 404 of Public Law 98-473] 1/ Chapters 1 and 2 of subtitle B of title III of the Anti-Drug Abuse Act of 1988, the Family Violence Prevention and Services Act (title III of Public Law 98-457, the Native American Programs Act, title II of Public 95-266 (adoption opportunities), title II of the Children's Justice and Assistance Act of 1986, chapter 8-D of title VI of the Omnibus Budget Reconciliation Act of 1981 (pertaining to grants to States for planning and development of dependent care program) the Head Start Act, the Child Development Associate Scholarship Assistance Act of 1985, the Abandoned Infants Assistance Act of 1988 and part B of title IV and section 1110 of the Social Security Act, [$2,784,090,000] *$3,280,150,000, of which $1,000,000 shall remain available until expended for the 1991 White House Conference on Aging.* 2/ *(Department of Health and Human Services Act, 1990.)*

[To fight the war on drugs by providing assistance to runaway and homeless youth, by providing drug prevention activities related to youth gangs, and by providing temporary child care, crisis nurseries and abandoned infants assistance to children impacted by drugs, $23,750,000] [3] *(Department of Transportation and Related Agencies Appropriations Act, 1990.)*

Explanation of Language Change

[1] Language for Child Abuse Challenge Grants is deleted as this program is now authorized as part of the Child Abuse Prevention and Treatment Act, as amended.

[2] Language is added to provide extended availability for funds appropriated for the White House Conference on Aging.

[3] Language providing additional funds for drug-related programs in 1990 is deleted in 1991 as funds for these programs are part of the regular 1991 request.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Human Development Services

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation	2,573,910,000	2,807,840,000	3,280,150,000
Sequester Order	—	-37,341,000	—
Reduction Pursuant to P.L.101-166	—	-187,000	—
Real transfer from: Payments to States for Foster Care and Adoption Assistance for Child Welfare services	—	—	47,352,000
Subtotal, Adjusted Budget Authority	2,573,910,000	2,770,312,000	3,327,502,000
Offsetting collections from: Federal funds	2,345,000	—	—
Unobligated balance available, start of year	-64,000	-64,000	-64,000
Unobligated balance available, end of year	64,000	64,000	64,000
Unobligated balance, lapsing	-1,441,000	—	—
Total Obligations	2,574,814,000	2,770,312,000	3,327,502,000

SUMMARY OF CHANGES

1990 Appropriation	$2,770,312,000
1991 Amount Available for Obligation	3,327,502,000
Net Change	+$557,190,000

	1990 Base	Change From Base
Increases:		
A. Built-in:		
1. Annualization of January, 1990 pay raise and related costs	$1,320,000	+440,000
2. Provide for January, 1991 pay raise at 3.5% and related costs	1,339,000	+669,000
3. Additional January, 1991 pay raise at 22% for SES positions and related costs	128,000	+64,000
4. Increase in average salary and related costs	42,202,000	+633,000
5. Increased costs for additional non-FTE positions for management interns and stay-in-school programs	177,000	+118,000
6. Increase in merit pay consistent with OPM guidelines for PMRS and EPMS positions	511,000	+210,000
7. Increased costs associated with the Federal employees health benefits and FERS	5,815,000	+277,000
8. Additional funds needed for travel to cover more program monitoring	927,000	+73,000
9. Increase in centralized administrative services and financing through the Working Capital Fund	4,737,000	+57,000
10. Increased costs related to postage, telecommunications, printing and contracts	10,627,000	+483,000

Increases:	1990 Base	Change From Base
11. Increased cost of supplies and equipment based on GSA rates and enhancements in data processing......	1,410,000	+162,000
12. Technical increase to comply with authoriziing legislation........		+2,000
Subtotal, Built-in Increases...		+3,188,000
B. Program:		
1. Increase in Head Start enrollment of 19,260 children..........................	1,386,315,000	+500,000,000
2. Increase in child welfare services for preventive and reunification services.........	252,648,000	+47,352,000
3. Increase in child welfare demonstration funds to address problems associated with "crack babies"................	7,517,000	+6,000,000
4. Funds to support a White House Conference on Aging...........................	—	+1,000,000
Subtotal, Program Increases...		+$554,352,000
Total, Increases..........		+$557,540,000
Decreases:		
Built-in:		
1. Decrease in other services for one-time cost of contract for Foster Care data collection..................	2,373,000	-350,000
Total, Decreases		-$350,000
Net Change		+$557,190,000

Budget Authority by Activity
(dollars in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
A. Head Start	$1,235,000	$1,386,315	$1,886,315
B. Consolidated Social Services			
1. Comprehensive Child Development Centers................	19,760	24,668	24,668
2. Child Development Scholarships...........	1,450	1,431	1,431
3. Child Abuse State Grants...........	11,648	11,522	11,523
4. Child Abuse Discretionary Activities.............	13,648	13,522	13,523
5. Child Abuse Challenge Grants.......	4,834	4,934	4,934
6. Runaway and Homeless Youth.........	26,923	28,785	28,785
7. Runaway Youth Transitional Living....	—	9,867	9,867
8. Dependent Care Planning and Development............	11,856	13,178	13,178
9. Temporary Child Care/ Crisis Nurseries	4,940	8,328	8,328
10. Child Welfare Services...............	246,679	252,648	300,000
11. Child Welfare Training...............	3,696	3,647	3,647
12. Child Welfare Research and Demonstration..........	5,765 b/	7,517	13,517
13. Adoption Opportunities..........	6,027	6,736	6,736
14. Anti-Drug Programs for Runaway and Homeless Youth.........	15,000	14,801	14,801
15. Anti-Drug Programs for Youth Gangs.........	15,000	14,801	14,801
16. Abandoned Infants......	—	9,867	9,867
17. Family Voilence........	8,219	8,273	8,273
18. Aging Social Services and Centers............	276,194 a/	272,961	272,961
19. Aging Congregate Meal..	355,868 a/	351,925	351,925
20. Aging Home-delivered Meals..................	78,419 a/	78,981	78,981

	1989 Actual	1990 Appropriation	1991 Estimate
21. Aging In-Home Services................	4,826 a/	5,756	5,756
22. Grants to Indian Tribes.................	10,710 a/	12,541	12,541
23. Research, Training, and Discretionary Programs...............	22,253 a/	25,332	25,332
24. White House Conference on Aging....................	—	—	1,000
25. Developmental Disabilities State Grants............	59,774	61,939	61,939
26. Developmental Disabilities Protection and Advocacy................	19,760	20,484	20,484
27. Developmental Disabilities Projects of National Significance	2,901	2,862	2,862
28. Developmental Disabilities University Affiliated Programs.....	12,570	13,192	13,192
29. Native American Programs................	29,975	31,711	31,711
30. Social Services Research................	3,550	3,475	3,475
Subtotal, Consolidated Social Services	1,272,245	1,315,684	1,370,038
C. Program Direction...........	66,665 b/	68,313	71,149
Total, FTE	(1,004)	(1,000)	(1,000)
Total, Budget Authority	$2,573,910	$2,770,312	$3,327,502

a/ Reflects congressionally initiated reprogramming as follows:

FROM: Supportive Services and Centers - $446,040
Congregate Meals - $799,590
Home-delivered Meals - $126,645
Services to the Frail Elderly - $7,793
Discretionary Activities - $1,919,932
TO: Grants to Indian Tribes - $3,300,000

b/ Reflects approved reprogramming of $1,650,000 from Child Welfare Research and Demonstration to Program Direction.

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Full-time Equivalent of Full-time Permanent Positions.......	975	975	-
Full-time Equivalent of all other Positions................	25	25	-
Total compensable workyears......	1,000	1,[illegible]00	-
Average ES Salary................	63,879	82,156	+18,277
Average GS/GM Grade..............	12.7	12.10	+.3
Average GS/GM Salary.............	43,872	45,700	+1,928
Personnel Compensation			
Permanent Positions............	$43,436,000	$45,354,000	+$1,918,000
Positions other than Permanent..............	599,000	628,000	+29,000
Other Personnel Compensation...............	697,000	883,000	+186,000
Subtotal, Personnel Compensation.....	44,732,000	46,865,000	+2,133,000
Personnel Benefits...............	5,815,000	6,092,000	+277,000
Travel and Transportation of Persons....................	927,000	1,300,000	+373,000
Transportation of Things.........	56,000	56,000	+—
Rent, Communication and Utilities......................	2,321,000	2,724,000	+403,000
Rental of Space..................	5,368,000	5,443,000	+75,000
Printing and Reproduction........	865,000	1,070,000	+205,000
Other services...................	2,373,000	2,023,000	-350,000
Project Contracts..............	25,500,000	27,500,000	+2,000,000
Working Capital Fund...........	4,737,000	4,794,000	+57,000

	1990 Appropriation	1991 Estimate	Increase or Decrease
Supplies and Materials.....	216,000	235,000	+19,000
Equipment..................	1,220,000	1,367,000	+147,000
Grants, Subsidies and Contributions............	2,676,182,000	3,228,033,000	+551,851,000
Total, Budget Authority by Object....	$2,770,312,000	$3,327,502,000	+$557,190,000

Significant Items in House and Senate

Appropriation Committee Reports

Item	Action Taken or to be Taken
1990 House Report Prior-Year Foster Care Claims	
1. The Committee is concerned about the large volume of outstanding State prior-year foster care claims and about the inordinate delays in paying these claims. The reasons for this situation are not clear. The Committee requests the General Accounting Office to conduct a review of outstanding claims and other Department's method of processing them. GAO should report back to the Committee by February, 1990 its recommendations for expediting claims processing, including any possible changes in appropriations bill language.	1. Claims submitted on reports through the end of fiscal year 1988 have been paid and we are requesting $544 million to pay the full 1989 and 1990 estimated short fall. We have also been providing information information to GAO for its study GAO for its study.
Abandoned Infants Funds	
2. The Committee expects the Administration on Children, Youth and Families in OHDS to administer these funds in close coordination with the Administration on Developmental Disabilities in OHDS and the Bureau of Maternal and Child Health and Resources Development in HRSA. Given the MCH Bureau's administration of health care grants, especially focusing on pediatrics AIDS and infants of substance-abusing mothers, the Committee believes that coordination of the Abandoned Infants Assistance Act with these activities is especially important.	2. The Administration for Children, Youth and Families plans close coordination and possible joint activities with all appropriate entities including ADD, BMCH and HRSA.

Head Start Teachers' Salaries

3. The Committee is aware that qualified staff and low rates of staff turnover are essential to maintain the quality of Head Start services. The Committee is also aware that the average annual salary of a Head Start teacher is much lower than that of a public school teacher. Therefore, the Committee expects that the Secretary will devote $50,000,000 of the fiscal year 1990 Head Start appropriation to increasing Head Start teachers salaries.

3. Head Start will allocate $49,335,000 of its FY 1990 increase ($50 million at less sequestration) towards increasing salaries in Head Start programs.

Training Materials

4. ...Accordingly, the Committee urges the Department to undertake development of training materials for Head Start directors, teachers, teachers aides and parents of children with special needs. This initiative should utilize state-of-the-art training technology to develop materials specifically designed for Head Start personnel working with special needs children. The materials and systems developed should be made available at regional workshops and disseminated nationwide.

4. Head Start will develop such materials.

Child Abuse and Neglect

5. The Committee is pleased by the Department's efforts to expand support for a professionally-facilitated, national parent self-help program of proven effectiveness for the treatment of parents who abuse and neglect their children. The Committee encourages the

5. In fiscal year 1989, OHDS funded two three-year grants for this purpose. One grant went to Parents Anonymous, Inc. (PA), of Los Angeles, California and a second grant was awarded to the Palau Agency (PCAA) Community Action in Koror, the capital city of Republic of Palau, a Trust Territory. As a part of its grant,

Department to continue its efforts in this area, specifically in providing assistance to State organizations in their first year of operation, in supporting a national toll-free line to provide information and referral to State organizations and parent self-help groups, and through expanding professional expertise and staff support for the design and implementation of a national education campaign.	Parents Anonymous intends to create ten additional State chapters, to continue its use of the national toll-free telephone line (800-421-0353) and to encourage child protective service workers to use Parent Anonymous as a referral and resources in cases of suspected abuse. The Palau Community Action Agency intends to develop parent self-help groups, create country-wide public awareness of issues in child abuse and neglect, develop counseling services, and conduct educational programs in the primary and secondary schools.

Aging Grants to Indians

6. The Committee expects the Department to be prudent in awarding new grants under this program so as to insure that existing grantees' grants are not reduced in order to fund new grants.	6. The Department has taken action to ensure that the current 181 Title VI grantees are held harmless at their FY 1989 grant level. These grantees will be funded from FY 1990 appropriaation before any new Indian tribes are invited to apply.

Aging Title IV Activities

7. The Committee expects the Administration on Aging to maintain the following activities under Title IV: rural demonstrations; training and career preparation training; research; national aging organizations which provide special representation and outreach services for the minority elderly; and demonstrations to assist victims of Alzheimer's disease...and their families in receiving supportive services.	7. In FY 1989, AoA continued to support of a number of demonstration projects focused on the rural elderly. Project activities ranged from quality assurance for in-home services, to housing for the rural elderly, to legal assistance for home-bound rural older persons. New rural demonstration projects were funded in several areas, among models for rural community focal points, rural adult day care, and the use of rural hospitals to provide and

coordinate health and social services to older persons. In addition, AoA has made a major investment in the provision of training and technical assistance to rural State and Area Agencies on Aging through the funding of a National Resource Center for Rural Elderly. The Center, located at the University of Missouri at Kansas City, was funded by AoA for a 3-year period beginning in October 1988.

During FY 1989, AoA continued to support grants to institutions of higher education for gerontological training and development projects. Seven new projects have focused on several key areas including faculty development in gerontology, replication of successful curricula in institutions where gerontology has not been taught as extensively, and development of gerontological faculty and programs in minority institutions. Examples of projects include: (1) gerontological training to faculty of 25 American Indian colleges; (2) replication of a successful gerontological social work curriculum in seven institutions in Hawaii and the Pacific Islands; and (3) development of gerontological programs in several New York City institutions with high minority enrollments. In FY 1990 AoA expects to continue its support of career training with special emphasis on faculty development and student stipends especially targeted to minority students.

AoA's Title IV research activities in FY 1989 included continuation grant support to a cluster of community based systems of care projects and new research grants to investigate alcohol abuse among the aged and to advance our knowledge of guardianship. In FY 1990, AoA expects to extend its support of aging-related research to include such areas as access to services by minority elderly with Alzheimer's disease and issues involving older women.

AoA has expanded its support for the concerns of low income minority elderly. A National Resource Center on Minority Aging Populations was created in 1988 at San Diego State University. Funding is projected for a three year period. The FY 1989 Discretionary Funds Program announcement included a priority for national organizations to establish or expand an agenda of activities designed to improve the lives of low income minority elderly persons. Seven organizations were funded for a projected two year period. National minority aging organizations were funded by AoA under this priority area and under a priority area to support minority management traineeship programs.

The FY 1990 program announcement will continue to highlight minority aging needs. The announcement will include a priority area for improving services targeted to low-income minority elderly. Additional grants focusing on the needs of low-income minority elderly will also be funded through other priority areas. AoA expects to support national minority aging organizations which have competed successfully under various priority areas and through continuation project awards.

In FY 1989, the Administration on Aging (AoA) maintained a number of activities designed to develop and strengthen community based care for the victims of Alzheimer's Disease (AD) and their families. These activities included: AoA/NIA co-sponsored state-of-the-art conferences that focused on current practices in caregiving support for families of AD patients; collaborative efforts involving AoA, the Robert Wood Johnson Foundation (RWJF) and the Alzheimer's Association that supported a number of demonstrations in the RWJF Dementia Care and Respite Services Program; and projects designed to demonstrate better ways to provide community care for people with AD as well as their family caregivers.

AoA also continued its support of a National Long Term Care Resource Center with a focus on Alzheimer's Disease and other dementias. The Center is specifically devoted to providing training, technical assistance, short-term research, and dissemination activities for State Agencies on Aging, and others, in AD and other dementias. The Center continues to focus its assistance efforts on developing effective service programs to deal with the problems of short-term treatment and long-term management of AD patients and with the needs of family caregivers. AoA plans to continue its support of this Center in FY 1990.

AoA is also planning on including a priority area that addresses AD in its FY 1990 Discretionary Funds Program. Grant applications will be solicited to develop projects that demonstrate ways to improve access to services by minority persons with AD and their family caregivers.

Aging Career Preparation Training

8. The Committee also expects the Administration on Aging to promote and increase funding for career preparation training in the field of aging with special emphasis in student stipends and faculty development initiatives. Priority should be given to targeting minority students and faculty.

8. During FY 1989, AoA continued to support grants to institutions of higher education for gerontological training and development projects. Seven new projects have focused on several key areas including faculty development in gerontology, replication of successful curricula in institutions where gerontology has not been taught as extensively, and development of gerontological faculty and programs in minority institutions. Examples of projects include: (1) a project to provide gerontological training to faculty of 25 American Indian colleges; (2) replication of a successful gerontological social work curriculum in seven institutions in Hawaii and the Pacific Islands; and (3) development of gerontological programs in several New York City institutions with high minority enrollments. In FY 1990 AoA expects to continue its support of career training with special emphasis on faculty development and student stipends especially targeted to minority students.

Legal Services

9.	The Committee also expects the Administration on Aging to continue to fund national legal services support and demonstration projects. National legal services support and demonstration projects mean those which: (1) are conducted by national nonprofit legal assistance organizations which provide support and demonstrations on a national basis to local legal assistance providers; and (2) provide national legal assistance support and demonstrations to local legal assistance providers or State and Area Agencies on Aging for the purpose of providing, developing or supporting legal assistance for older individuals, including case consultations; training; provision of substantive legal advice and assistance; and assistance in the design, implementation, and administration of free legal assistance delivery system.	9.	The Administration on Aging funded six (6) national legal services support projects during Fiscal Year 1988 for a total of $1,352,290 and continuations of those projects during Fiscal Year 1989 for $1,512,845. Funding for national legal services support and demonstration projects will be included in the Fiscal Year 1990 Discretionary Grants Program Announcement.

Service for Developmentally Disabled Young Adults

10.	The Committee is concerned that a growing number of young adults who are seeking assistance through State-supported residential and community-based programs where the availability of of services is in short supply. In some States, the waiting lists for such services are very long. Many of these	10.	Developmental Disabilities State formula programs support development of a coordinated array of services and advocate on behalf of the needs of all persons with developmental disabilities. Discretionary projects assist policymakers by providing information on issues and best practices. Projects, both in the private

young adults who are developmentally disabled, but who also may have received years of special education services, remain in institutions or continue to live at home while their education and skill levels remain undeveloped or deteriorate. The adult provider system is focused on long-term service and care and is often ill-equipped to provide the coordinated multi-agency support that could provide the short-or medium-term vocational or other preparation and services that encourage a satisfactory adjustment from school to work and independent living by young adults who are developmentally disabled. The Committee urges the Department to evaluate and fund meritorious innovative initiatives at the State level intended to fill the current gap in coordinated multi-agency service delivery to developmentally disabled young adults.	sector and in State agencies, focus on the transition from school to employment and community life, the need for community-based living arrangements, and service delivery issues. There is also a focus on self-advocacy by and empowerment of persons with developmental disabilities to lobby on their own behalf.

1990 Conference Report

Foster Care Prior Year Claims

1. The Committee is concerned about the large volumn of outstanding State prior-year foster care claims and about the inordinate delays in paying these claims. The reasons for this situations are not entirely clear.	1. Claims submitted on reports through the end of FY 1988 have been paid and we are requesting $544 million to pay the full 1989 and 1990 estimated short fall.

1990 Senate Report

Minority Organizations

1. The Committee also directs the Administration on Aging to increase funding for national minority organizations with a proven track record in providing special representation and services to aged minorities. The 1987 Older Americans Act Amendments included several provisions to promote the funding of national minority organizations under Title IV. The Committee directs the Administration on Aging to implement these measures and to provide a report to the Committee by March 31,1990, concerning the status of this directive

1. AoA has expanded its support for the concerns of low income minority elderly. A National Resource Center on Minority Aging Populations was created in 1988 at San Diego State University. Funding is projected for a three year period. The FY The FY 1989 Discretionary Funds Program announcement included a priority for national national organizations to establish or expand an agenda of activities designed to improve the lives of low income minority elderly persons. Seven organizations were funded for a projected two year period. National minority aging organizations were funded by AoA under this priority area and under a priority area to support minority management traineeship programs.

The FY 1990 program announcement will continue to highlight minority aging needs. The announcement will include a priority area for improving services targeted to low-income minority elderly. Additional grants focusing on the needs of low-income minority elderly will also be funded through other priority areas. AoA expects to support national minority aging organizations which have competed successfully under various priority areas and through continuation project awards.

A report, as requested by the Committee, will be submitted by March 30, 1990.

Substance Abuse During the Pregnancy	
2. Deletes language proposed by Senate regarding a study of the children whose mothers abused drugs during their pregnancy. While the conferees have deleted this bill language, they nevertheless expect the Secretary of Health and Human Services to conduct the study described. (The Secretary of of Health and Human Services through the appropriate agency within the National Institutes of Health shall conduct a scientific study to identify children, including children receiving assistance under the Head Start Act (42 U.S.C. 9801 et.seg.), who were exposed to maternal substance abuse during the pregnancy of their mothers. Such program shall evaluate the developmental disabilities of such children. The identity of such children shall be confidential. Not later than two years after the date of enactment of this Act, the Secretary of Health and Human Services shall prepare and submit, to the appropriate Committees of Congress, a report that contains — (1) the findings of the Secretary with respect to such study; (2) the recommendation of the Secretary for the most effective methods to ensure the proper development of such children and the cost associated with the implementation of such methods; and (3) any other information that the Secretary determines appropriate.) the Congressional Record," September 21, 1989 —	2. HDS will work with the National Institutes of Health in the conduct of a study related to children exposed to maternal substance abuse.

Low Head Start Salaries

3.	Human Development Services -... The committee is concerned over testimony received that low Head Start salaries are making it inincreasingly difficult for Head Start programs to attract qualified staff and that there are a number of Head Start programs that are experiencing staffing shortages. The Committee is also concerned over the need for program improvements, particularly those one-time purchases which enhance the safety of Head Start children. Therefore, the Department is directed to review staffing difficulties and the need for program improvements within the Head Start program and is urged to take appropriate action to address these problems.	3.	Head Start will use $49,335,000 of its Fiscal Year 1990 increase to raise salaries. In addition, Head Start will review the current staffing situation in Head Start programs. The need for additional program improvements funds will also be evaluated.

Training For Head Start Personnel Working with Special Children

4.	The Committee is also aware of a need to expand training and preparation of Head Start personnel working with special needs children in a mainstreamed environment. Accordingly the Committee directs the Department to undertake development of training materials for Head Start directors, teachers, teachers aides, and parents of children with special needs. This initiative should utilize state-of-the-art training technology to develop materials specifically designed for Head Start personnel working with special needs children.	4.	Head Start will develop these materials.

	Child Abuse and Neglect Substance Abusing Parents		
5.	The Committee directs the National Center on Child Abuse and Neglect to give special attention in discretionary and State grants to addressing the prevention and treatment of abuse and neglect of children by substance abusing parents.	5.	The National Center on Child Abuse and Neglect has and will continue to give special attention in its discretionary and State grants to addressing the prevention and treatment of the abuse and neglect of children by substance abusing parents.
	Child Welfare Research Demonstrations		
6.	The Committee is concerned over the number of children with disabilities in the child welfare system. The Department is directed to use up to $750,000 to support five pilot projects which demonstrate model inter-agency services collaboration on behalf of children with disabilities and their families in State child welfare systems.	6.	Priority areas included in FY 1990 Coordinated Discretionary Funds Program announcements will address this issue.
	Aging Career Preparation		
7.	...The Committee directs the Administration on Aging to increase funding for training and research activities under Title IV. Priority initiatives should include: career preparation training, as well as student stipends and faculty, development grants. Some of these programs should target minority students and faculty since they represent a very small percentage of those currently employed in the field. The Committee would like to emphasize the need for qualified personnel trained and educated in the	7.	During FY 1989, AoA continued to support grants to institutions of higher education for gerontological training and development projects. even new projects have focused on several key areas including faculty development in gerontology, replication of successful curricula in institutions where gerontology has not been taught as extensively, and development of gerontological faculty and programs in minority institutions. In FY 1990 AoA expects to continue its

field of aging. The Committee is impressed with high percentage of individuals assisted by Title IV who have remained in the field of aging.	support of career training with special emphasis on faculty development and student stipends especially targeted to minority students. AoA's Title IV research activities in FY 1989 included continuation grant support to a cluster of community based systems of care projects and new research grants to investigate alcohol abuse among the aged and to advance our knowledge of guardianship. In FY 1990, AoA expects to extend its support of aging-related research to include such areas as access to services by minority elderly with Alzheimer's disease and issues involving older women.
Long-Term Care Gerontology Centers	
8. The Committee reaffirms its support of the long-term care gerontology centers and urges that they be continued and fully funded. The Committee also directs the Administration on Aging to continue to fund national legal services support and demonstration projects...	8. Six national Aging Resource Centers on Long Term Care were established in FY 1988 for a three-year period to provide training and technical information to State and Area Agencies on Aging to assist them in working with communities, public and private agencies professionals and the public in implementing and coordinating programs and activities in a variety of topical areas. All six Centers were refunded during FY 1989. AoA expects to refund these Centers during FY 1990. Each Center has a specific expertise in a field of long term care. These include case management and assessment, quality assurance, data collection and analysis, long

term care management of Alzheimer's Disease Patients, Medicaid coordination, supply and training of home care personnel, and supportive services and arrangements in adult housing. Centers collect information and research results, produce issue synthesis papers, and provide consultations, training and technical assistance to State and Area Agencies in their chosen areas of emphasis.

The Administration on Aging funded six (6) national legal services support projects during Fiscal Year 1988 for a total of $1,352,290 and continuations of those projects during Fiscal Year 1989 for $1,512,845. Funding for national legal services support and demonstration projects will be included in the Fiscal Year 1990 Discretionary Grants Program Announcement.

Information and Referral

9. ...The Committee encourages the Administration on Aging to build upon existing networks of State and Local Area Agencies on Aging and to give priority consideration to existing not-for-profit organizations to operate the telephone services (nation-wide toll—free information and referral services for the elderly).	9. The Administration on Aging is concerned about the improvement of access to needed services through Information and Referral Systems. We expect to support discretionary projects to study this area through the Fiscal Year 1990 Discretionary Grants Program Announcement.

HIV Infection

10. The Committee intends that OHDS continue and expand its efforts to address the issues of HIV infection in the pediatric population and adolescents (especially runaway youths and persons with disabilities) through the Administrations within the Department (ADD, ACYF, Children's Bureau). Discretionary moneys should be made available to further develop innovative approaches to serve these vulnerable populations. OHDS should examine the programs already under its jurisdiction and utilize existing programs to develop these approaches.	10. Initiated an agreement with the National Institute of Drug Abuse and National Network of the Runaway and Youth Services to make available HIV prevention training for all runaway and homeless youth basic center grantees. Training sessions have been set up for all ten regions and funds will be provided by the National Network to cover travel expenses. The Children's Bureau will also continue funding its four three-year demonstration programs and will coordinate with Family and Youth Services Bureau and ADD, assisting their efforts to address these populations.

Family Resource Program Models

11. The Committee strongly urges that discretionary funds be made available to encourage the establishment of family support and resource programs, which seek to prevent a range of problems including substance abuse, child abuse and teen pregnancy. Specifically, the Committee would encourage the OHDS to establish a clearinghouse to disseminate information about various family resource program models and provide training and technical assistance regarding such programs. In addition, funds should be made available for the evaluation of the effectiveness of various type of family resources program models.	11. There are several Bureaus within the Administration for Children, Youth and Families which are providing-discretionary funds for such activities Head Start Bureau The Head Start Bureau will use discretionary funds in FY 1990 to support to 13 Resource Centers. These Centers will assist local Head Start programs throughout the nation by disseminationing information about child development issues and by providing training and technical assistance. One Resource Center will be located in each of the ten

Federal regions; one focused on Native Americans and one will be focused on migrant farm-workers. The 13th Center will develop materials and investigate issues that are national in scope.

In addition, Head Start intends to fund more than 20 grantees to develop approaches to meeting the needs of dysfunctional families. The projects, which will be funded in FY 1990 and will continue for 36 months, will focus on important family issues such as literacy, employability,and substance abuse. Once the project results have been assessed, the best approaches will be disseminated through the Head Start Resource Centers.

Children's Bureau

The National Center on Child Abuse and Neglect is involved in a number of efforts to develop models for strengthening and supporting the family in order to prevent child abuse and neglect. These include projects to address the problems of chronic neglect and model parent education and support efforts.

The National Center also continues to fund a number of Resource Centers to facilitate the exchange of information on effective and innovative practices designed to strengthen families, support parents and prevent abuse and neglect.

The Children's Bureau is funding three demonstration programs for developmental child care for the children of homeless families which require services to parents. These services are intended to relieve problems and restore the family to more effective functioning.

Programs under the Abandoned Infants Act will provide assistance to families to prevent abandonment and child placement. Further, the National Resource Center for Family-Based Services provides a clearing- house function for the dissemination of information about family resource program models and training and technical assistance to child welfare programs.

Family and Youth Services Bureau

In the FY 1990, the Family and Youth Services Bureau will support the utilization and dissemination of existing program models serving at risk youth. A technology transfer effort will be funded to develop and provide materials to service providers on a variety of runaway and homeless youth related issues. A primary focus will be placed on models developed to prevent youth suicide. These materials will have particular utility since there appears to be a direct relationship between youth suicide and drug abuse.

Payment to States For Foster Care and Adoption Assistance

12. Payments to States for Foster Care and Adoption Assistance - ... the Committee directs ACYF to establish and implement a system to collect data on State foster care and adoption assistance administrative cost expenditures. The data collected should provide State expenditure information by administrative activity categories and data elements are to be defined by the Secretary to issue rules implementing this system directly as final regulations. The Committee has provided as additional $700,000 in the HDS program administration activity to cover the staff, travel and training costs associated with the establishment, implementation, and operation of the system.	12. ACYF is concerned about the rapid increase in administrative costs and also seeks more detailed information regarding the nature of those costs. We are currently reviewing the need, feasibility, and advisability of developing regulations to collect data on administrative costs.
13. Payment to States for Foster Care and Adoption Assistance — ...It is the intention of the conference that the Office of Human Development Services proceed to develop regulations on the collection of data on administrative costs under the foster care program. Because of the need for administrative cost data, it is expected that proposed regulations will be published for public comment no later than January 1, 1990, and issued in final form by March 1, 1990.	13. ACYF is concerned about the rapid increase in administrative costs and also seeks more detailed information on the makeup of those costs. However, the dates for publishing the draft and final regulations are not realistic. We are currently reviewing the need, feasibility and. advisability of developing regulations to collect data on administrative costs.

Authorizing Legislation

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
Human Development Services:				
A. Head Start, [Sec. 639 of the Head Start Act, as amended]	$1,405,000,000	$1,386,315,000	a/	$1,886,315,000
B. Consolidated Social Services				
(1) Comprehensive Child Development Centers [Sec. 607T of the Comprehensive Child Development Act]	25,000,000	24,668,000	25,000,000	24,668,000
(2) Child Development Associate Scholarships [Sec. 606 of the Child Development Associate Scholarship Assistance Act of 1985]	1,500,000	1,431,000	a/	1,431,000
(3) Child Abuse State Grants [Sec. 114 of the Child Abuse Prevention and Treatment Act, as amended]	Such sums b/	11,522,000	Such sums b/	11,523,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
(4) Child Abuse Discretionary Activities [Sec. 14 of the Child Abuse Prevention and Treatment Act, as amended]	Such sums b/	13,522,000	Such sums b/	13,523,000
(5) Child Abuse Challenge Grants, [Sec. 203, of the Child Abuse Prevention and Treatment as amended],	Such sums	4,934,000	Such sums	4,934,000
(6) Runaway and Homeless Youth, [Sec. 366(a) of of the Runaway and Homeless Youth Act, as amended]	Such sums	28,785,000	Such sums	28,785,000
(7) Runaway and Homeless Youth Transitional Living Programs [Sec. 366(b)(1) of the Runaway and Homeless Youth Act, as amended]	Such sums	9,867,000	Such sums	9,867,000
(8) Dependent Care Planning and Development [Sec. 670A of the State Dependent Care Development Grant Act, as amended]	20,000,000	13,178,000	a/	13,178,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
(9) Temporary Child Care and Crisis Nurseries [Sec. 206 of the Temporary Child Care for Children with Disabilities and Crisis Nurseries Act of 1986]	20,000,000	8,328,000	20,000,000	8,328,000
(10) Child Welfare Services [Title IV-B, Sec. 420 of the Social Security Act, as amended]	325,000,000	252,648,000	325,000,000	300,000,000
(11) Child Welfare Training [Sec. 426(a) of the Social Security Act, as amended]	Such sums	3,647,000	Such sums	3,647,000
(12) Child Welfare Research and Demonstration [Sec. 426(a) of the Social Security Act, as amended]	Such sums	7,517,000	Such sums	13,517,000
(13) Adoption Opportunities: The Child Abuse Prevention and Treatment and Adoption Reform Act of 1978, as amended [Sec. 205(a)]	Such sums	5,736,000	Such sums	5,736,000
(a) Placement of Minority Children [Sec. 205(b)]	Such sums	500,000	Such sums	500,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
(b) Post Legal Adoption Services [Sec. 205(b)]	Such sums	500,000	Such sums	500,000
(14) Youth Gang Drug Prevention [Sec. 3505 of the Anti-Drug Abuse Act of 1988]	Such sums	14,801,000	Such sums	14,801,000
(15) Runaway Youth Drug Prevention [Sec. 3513(a) of the Anti-Drug Abuse Act of 1988]	Such sums	14,801,000	Such sums	14,801,000
(16) Abandoned Infants Assistance [Sec. 104 of the Abandoned Infants Assistance Act]	12,000,000	9,867,000	15,000,000	9,867,000
(17) Family Violence Prevention and Services [Sec. 310(a) of the Family Violence Prevention and Treatment Act, as amended]	Such sums	8,273,000	Such sums	8,273,000
(18) Supportive Services and Centers, including Home Care Ombudsman [Sec.303(a)(1) and (2) of the Older Americans Act of 1965, as amended]	418,481,000	272,961,000	439,406,000	272,961,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
(19) In-Home Services for the Frail Elderly [Sec. 303(d) of the Older Americans Act of 1965, as amended]	27,563,000	5,756,000	28,941,000	5,756,000
(20) Nutrition:				
(a)Congregate Meals [Sec. 303(b)(1)(2) of the Older Americans Act of 1965, as amended]	457,262,000	351,925,000	480,125,000	351,925,000
(b)Home-delivered Meals [Sec. 303(b)(2)]	87,516,000	78,981,000	91,892,000	78,981,000
(21) Grants to Indian Tribes [Sec. 633 of the Older Americans Act of 1965, as amended]	19,133,000	12,541,000	22,105,000	12,541,000
(22) Evaluation [Sec. 206(g)] of the Older Americans Act of 1965, as amended]	one-tenth of 1 percent of appropriation or $300,000, whichever is lower	c/	one-tenth of 1 percent of appropriation or $300,000, whichever is lower	c/
(23) Aging Research Training and Discretionary Programs [Sec. 431(a) of the Older Americans Act of of 1985, as amended]	36,349,000	25,332,000	38,167,000	25,332,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
(24) White House Conference on Aging [Sec. 207 of the Older Americans Act Amendments of 1987]	Such sums	—	Such sums	1,000,000
(25) Programs for the Developmentally Disabled: [Developmental Disabilities Assistance and Bill of Rights Act, as amended]				
(a) State Grants [Sec. 130]	77,400,000	61,939,000	a/	61,939,000
(b) Protection and Advocacy [Sec. 143]	24,000,000	20,484,000	a/	20,484,000
(26) Developmental Disabilities: Special Projects [Sec. 163 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended]	3,650,000	2,862,000	a/	2,862,000
(27) University Affiliated Programs [Sec. 154 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended]	16,500,000	13,192,000	a/	13,192,000
(28) Programs for Native Americans:				
(a)[Sec. 816(a) of the Native American Programs Act of 1974, as amended	Such sums	30,224,000	Such sums	31,211,000

(b) Native Hawaiian Loan Fund; [Sec. 803(A)(f)(c)]	3,000,000 in aggregate, 1988-1990	987,000	c/	—
(c) Native Americans Pacific Islanders [Sec. 816 (c)(1)]	500,000	500,000	500,000	500,000
(29) Social Services Research [Sec. 1110 of the Social Security Act, as amended]	Such sums	3,475,000	Such sums	3,475,000
C. Program Direction/ Federal Administration (including Federal Council on Aging, [Sec. 204(g) of the Older Americans Act, as amended])	332,000 Indefinite	185,000 68,128,000	243,000 Indefinite	185,000 70,964,000
Total Appropriation		$2,770,312,000		$3,327,502,000
Appropriation against definite authorizations	$2,943,439,000	$2,554,930,000	$1,466,379,000	$1,090,544,000

	1990 Amount Authorized	1990 Appropriation	1991 Amount Authorized	1991 Budget Request
Unfunded authorizations:				
a) Boarder Babies [Sec. 426(b) of the Social Security Act]	4,000,000	—	—	---
b) The Older Americans Act of 1965, as amended:				
(1) Outreach [Sec. 303(a)(3)]	10,000,000	—	Such sums	—
(2) Special Needs [Sec. 303(f)]	Such sums	—	Such sums	—
(3) Preventive Health [Sec. 303(f)]	Such sums	—	Such sums	—
(4) Elder Abuse [Sec. 303(e)]	Such sums	—	Such sums	—
(5) Emergency Protective Services for Substance Abused Children, [Sec. 107(A)(e) of the Child Abuse Prevention and Treatment Act, as amended]	40,000,000	—	40,000,000	—

a/ Authorizing legislation expires September 30, 1990. Reauthorizing legislation will be submitted.

b/ When an appropriation for Child Abuse and Neglect activities is less than \$30 million, no less than \$9 million must be made available for State Grants; no less than \$11 million must be made available for discretionary activities; with the balance split evenly between discretionary sexual abuse projects and "Baby Doe" grants.

c/ Specific amounts to be set aside for evaluation have not been determined.

HUMAN DEVELOPMENT SERVICES

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1981	2,168,913,000	2,175,083,000	a/	2,194,231,000
1982	1,846,468,000	2,260,588,000	2,261,084,000	2,204,001,000 e/
1983	2,415,725,000 b/	1,762,211,000	1,754,194,000	1,774,978,000 e/
1983 Supplemental	1,414,000 c/	—	—	—
1984	2,193,446,000 d/	1,857,156,000 f/	1,855,581,000 f/	1,856,368,000 f/
1985	2,022,149,000 d/	1,996,154,000	2,003,704,000	1,996,154,000 g/
1985 Supplemental 1986	—	6,000,0000	16,000,000	11,000,000
1986	1,969,167,000	2,003,722,000	2,009,422,000	2,015,922,000
Sequestering 1986	-86,685,200	N/A	N/A	1,929,237,000
Rescission	-24,980,000	---	—	—
1987	1,978,378,000	925,017,000 h/	2,091,018,000	2,097,635,000
1988	2,227,366,000 i/	1,641,456,000 j/	2,571,785,000	2,455,532,000
1989	2,458,868,000	2,531,808,000	2,573,465,000	2,573,910,000
1989 Supplemental	—	—	—	30,000,000
1990	3,053,275,000 l/	2,757,959,000m/	2,791,879,000	2,807,840,000
1990 Sequester	—	—	—	37,528,000
1991	3,280,150,000			

a/ The Senate did not act.

b/ Includes funds for the Rehabilitation Services Administration, the American Printing House for the Blind, the National Technical Institute for the Deaf, and Gallaudet College. Prior to 1983, amounts exclude funds for all these activities.

c/ Requested pay raise transfer of $1,414,000.

d/ Includes funds for Child Care Feeding program, as part of Head Start; also includes funds for the USDA Commodity/Cash-in-lieu-of program requested to be transferred to the Administration on Aging. Because this table is non-comparable, comparable amounts for all of these activities are not included prior to 1984.

e/ Reflects a transfer of one position and related costs from the Office of Human Development Services to Departmental Management. Amounts transferred are $116,000 in 1982 and $36,000 in 1983.

f/ Includes $6,720,000 for Child Abuse State Grants, made available in the second continuing resolution, P.L. 98-151.

g/ Includes $703,000 and 18 positions proposed for transfer to the Office of the Secretary.

h/ The House did not provide allowance for Head Start, Dependent Care or Native American Programs, for which there was no reauthorizing legislation.

i/ This amount reflects the transfer of four programs previously in the Family Social Services account. Amounts in prior years are non-comparable.

j/ The House deferred acting on any programs requiring the enactment of authorizing legislation.

k/ Includes both authorized and unauthorized programs.

l/ This amount reflects the inclusion of Foster Care and Adoption Assistance administrative and training costs. Prior year amounts are non-comparable.

m/ The House deferred action on programs requiring reauthorizing legislation.

n/ Includes $23,750,000 in additional drug program funds contained in Department of Transportation appropriation.

HUMAN DEVELOPMENT SERVICES
Justification
Account Summary

	1990 Appropriation	1991 Estimate	Increase or Decrease
A. Head Start	$1,386,315,000	$1,886,315,000	$+500,000,000
B. Consolidated Social Services			
1. Comprehensive Child Development Centers	24,668,000	24,668,000	—
2. Child Development Scholarships	1,431,000	1,431,000	—
3. Child Abuse State Grants	11,522,000	11,523,000	+1,000
4. Child Abuse Discretionary Activities	13,522,000	13,523,000	+1,000
5. Child Abuse Challenge Grants	4,934,000	4,934,000	—
6. Runaway and Homeless Youth	28,785,000	28,785,000	—
7. Runaway Youth Transitional Living	9,867,000	9,867,000	—
8. Dependent Care Planning and Development	13,178,000	13,178,000	—
9. Temporary Child Care/ Crisis Nurseries	8,328,000	8,328,000	—
10. Child Welfare Services	252,648,000	300,000,000	+47,352,000
11. Child Welfare Training	3,647,000	3,647,000	—
12. Child Welfare Research and Demonstration	7,517,000	13,517,000	+6,000,000
13. Adoption Opportunities	6,736,000	6,736,000	—
14. Anti-Drug Programs for Runaway and Homeless Youth	14,801,000	14,801,000	—
15. Anti-Drug Programs for Youth Gangs	14,801,000	14,801,000	—
16. Abandoned Infants	9,867,000	9,867,000	—
17. Family Voilence	8,273,000	8,273,000	—

	1990 Appropriation	1991 Estimate	Increase or Decrease
18. Aging Social Services and Centers............	272,961,000	272,961,000	—
19. Aging Congregate Meal..	351,925,000	351,925,000	—
20. Aging Home-delivered Meals..................	78,981,000	78,981,000	—
21. Aging In-Home Services...............	5,756,000	5,756,000	—
22. Grants to Indian Tribes.................	12,541,000	12,541,000	—
23. Research, Training, and Discretionary Programs...............	25,332,000	25,332,000	—
24. White House Conference on Aging...............	—	1,000,000	+1,000,000
25. Developmental Disabilities State Grants............	61,939,000	61,939,000	—
26. Developmental Disabilities Protection and Advocacy................	20,484,000	20,484,000	—
27. Developmental Disabilities Special Projects........	2,862,000	2,862,000	—
28. Developmental Disabilities University Affiliated Programs.....	13,192,000	13,192,000	—
29. Native American Program.................	31,711,000	31,711,000	—
30. Social Services Research................	3,475,000	3,475,000	—
Subtotal, Consolidated Social Services	1,315,684,000	1,370,038,000	+54,354,000
C. Program Direction...........	68,313,000	71,149,000	+2,836,000
Total, FTE	(1,000)	(1,000)	
Total, Budget Authority	$2,770,312,000	$3,327,502,000	+$557,190,000

General Statement

The Fiscal Year 1991 request for Human Development Services is $3,327,502,000, an increase of $557,190,000 over the 1990 appropriation. Generally, the amounts requested are Fiscal Year 1990 appropriated levels. Service levels supported in 1990 will be maintained or increased.

Efforts to strengthen the family are supported by the following requested increases: $47,352,000 for child Welfare Services; $500,000,000 for Head Start; and $6,000,000 for projects to assist infants born of mothers using crack or cocaine.

The request includes a legislative proposal to transfer $47,352,000 from the Payments to States for Foster Care and Adoption Assistance appropriation to Child Welfare Services to enhance the quality and increase the quality of child welfare services, focusing on prevention and reunification services.

Reflect Proposed Legislation

Current law appropriation request..................	$1,280,749,000
Impact of proposed legislation:	
— Transfer of Payments to States for Foster Care and Adoption Assistance funds to Child Welfare Services to increase quality and quantity of these services............................	+47,352,000
— Reauthorization of the Head Start Act......	+1,886,315,000
— Reauthorization of the Child Development Associate Scholarship Act......	+1,431,000
— Reauthorization of the State Dependent Care Development Grant Act................	+13,178,000
— Reauthorization of the Developmental Disabilities Assistance and Bill of Rights Act..............................	+98,477,000
Subtotal, Legislative Changes.........	+2,046,753,000
Total, Appropriation Request in President's Budget..........	$3,327,502,000

Program Accomplishments

Over the past five years, funds appropriated through the Human Development Services appropriation have supported programs which:

- reduce dependency and enhance self-sufficiency;
- develop, strengthen, and improve family and community support system;
- improve program quality and provision of services; and
- improve managerial systems.

Specific accomplishments are as follows:

Head Start - Since 1986 almost 2.3 million children and their families have benefited from comprehensive developmental services. In 1990, approximately 488,000 children were served on a permanent basis. Recent emphasis has been on expanding services to additional eligible children, increasing the number of contact hours, providing cost-of-living increases for staff, and improving staff capabilities through training.

Child Welfare Services - Progress has been made in keeping families together, reducing the length of stay in foster care from 24 months in 1977 to 17 months in 1986, and increasing adoption, especially the adoption of special needs children.

Aging Programs - Over the past five years, on an annual basis, over nine million elderly persons have received social services to reduce dependency; an average of 242 million meals have been served annually to over 3 million elderly people. One hundred eighty-one tribal organizations now serve approximately 28,000 older Indians; over 30,000 students have been trained in the field of gerontology; and over 240,000 State and area agency personnel have received in-service training. Recently, the Older Americans Act Amendments of 1987 were enacted. These amendments underscore expectations that the Administration on Aging, the State Units on Aging, and the Area Agencies on Aging will work in partnership to stimulate national attention to efforts to improve community-based options for all older people. Changes were made in several areas, including increased emphasis on socially and economically disadvantaged older persons, particularly low income minority elderly; expansion of the range and types of data collected at the community level about the delivery of services to the aging; enhanced mandated coordination between aging service programs and programs serving Veterans, the developmentally 4isabled and the mentally ill; and strengthened collaboration between Title III and Title IV service efforts. The Administration on Aging continues to implement the changes authorized by developing and issuing regulations and data collection tools, designing and implementing special studies, expanding long-term care ombudsman services at the community level, and increasing assistance to the frail elderly.

Developmental Disabilities Programs - Progress has been made in advocating on behalf of the developmentally disabled for rights and access to services, education, employment, residence, and transportation. In FY 1988 initiatives were designed to assist State Planning Councils in assessing and evaluating the total system of services which impact on persons with severe disabilities. These activities will be carried out in order to fulfill the statutory requirement that each State submit a full report on the findings of their assessments to the Department in January, 1990 from which the Department will develop and submit a report to Congress in April, 1990.

Native American Programs - Community-based social and economic development strategies have been implemented to assist Native Americans in building stable local economics and in reducing welfare dependency.

MANAGEMENT SAVINGS

HUMAN DEVELOPMENT SERVICES

The Office of Human Development Services has demonstrated top-level support and commitment to productivity and quality improvement. Some specific examples of the actions which reflect this support and commitment in OHDS are:

- Productivity is considered in budget and operational planning and reporting and has been integrated into OHDS' budget justification documents.
- Increased availability of computer equipment has had a profound impact on OHDS's productivity. The Office of Human Development Services has maximized the use of automation by developing systems that support the accomplishment of OHDS's goals.
- To address future information and technology needs of the agency, OHDS established the Information Resources Management Planning Group (IRMPG). The IRMPG is comprised of employees from each operational unit in OHDS who assisted in the development of the Information Resources Management (IRM) Five Year Plan. This plan is PC based using Local Area Networks (LAN's) rather than the current mini computer system. As a result, significant savings should be realized from the implementation of this plan.
- The Office of Human Development Services contracts for typing support services. The service has provided typing that would otherwise not be available. Other OPDIVs experiencing a lack of support personnel has entered into agreements with OHDS to utilize the services provided under this contract. Execution of these agreements has reduced the OHDS salary and expense costs.
- The OHDS is excited about the concept of Total Quality Management (TQM) and the positive impact it can have. We are currently in the process of developing a strategy for implementing TQM in our agency. The OHDS has implemented the Secretary's Employee of the Month Honor Awards Program which recognizes employees who represent the Department in an exemplary manner. This program will be incorporated into OHDS' TQM initiative.

Federal Managers' Financial Integrity Act (FMFIA) Program

Until recently, the Office of Human Development Services' (OHDS) FMFIA program has been a very centralized process. Top management involvement has been limited to briefings (when teams have conducted reviews in a manager's organization), cooperation with OMS teams during reviews, and providing staff to serve on review teams upon request. Final reports outlining weaknesses have been addressed to top managers who must respond with and follow through on appropriate corrective action plans.

To prepare for FY 1990 FMFIA activities and respond to HHS directives to reassess our program, OHDS established an FMFIA Steering Committee of top managers. The FMFIA Steering Committee agreed to resegment its Management Control Plan (MCP) to focus attention on programmatic rather than administrative functions to concentrate our efforts on areas where most of our resources (both staff and financial) are devoted. Consequently, administrative functions have been collapsed and programmatic functions have been significantly expanded and identified in discrete segments.

The strategy for OHDS' FMFIA program for FY 1990 and future years is to become more decentralized and directly involve top managers in all aspects of the program. To accomplish this, OHDS has set goals which include the completion of risk assessments (assess risk vs. safeguards) by program and staff office managers and a risk rating assigned to each of the 293 internal control areas identified in the FY 1990 segmentation plan. Once a risk rating of low, medium or high is assigned to each of the internal control areas, a five year MCP will be developed based on those ratings.

Given the direct involvement of top managers in all aspects of the FMFIA program and our new concentration on programmatic functions, OHDS will significantly improve its ability to assure the effectiveness of its internal controls, or identify and correct existing problems, as well as foresee and forestall potential problems.

Head Start

Authorizing Legislation: Section 639 of the Head Start Act, as amended.

1991 Authorization: Authorizing legislation expires September 30, 1990. Reauthorizing legislation will be proposed.

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$1,386,315,000	$1,886,315,000	+$500,000,000

Purpose and Method of Operations - Head Start provides comprehensive development services for children and their families. Intended for preschoolers from low-income families, the program seeks to foster the development of children and enable them to deal more effectively with both their present environment and later responsibilities in school and community life. Head Start programs emphasize cognitive and language development, socio-emotional development, physical and mental health, and parent involvement to enable each child to develop and function at his or her highest potential. At least ten percent of enrollment opportunities in each State are made available to handicapped children.

Grants to carry out Head Start programs are awarded to public and private non-profit agencies. Annual requests for refunding go through an application review process. Grantees must contribute 20 percent of the total cost of the program from non-Federal funds. The Head Start Act does not include a formula for the allotment of funds to grantees; however, it does require minimum State allocations. The Act requires 87 percent of Head Start's appropriation to be distributed based on: (1) the relative number of poor children; and (2) the number of recipients of Aid to Families with Dependent Children in each State as compared to all States. In addition, grants, cooperative agreements and contracts are awarded in the areas of research, demonstration, technical assistance and evaluation from the remaining 13 percent.

Head Start children receive comprehensive health services, including immunizations and physical and dental exams and treatment, and hot meals to help meet daily nutritional requirements. The Head Start program also emphasizes significant involvement of parents in their children's early childhood development.

During the past five years, Head Start has provided physical, dental, mental health, educational, nutritional, and social services to more than 2.3 million preschool children and their families throughout the nation.

Head Start services are provided through a nationwide network of approximately 1,300 grantees serving 2,000 communities.

Funding for the Head Start program during the last five years has been as follows:

1986	$1,040,315,000
1987	$1,130,542,000
1988	$1,206,324,000
1989	$1,235,000,000
1990	$1,386,315,000

Rationale for Budget Request - The Fiscal Year 1991 request is $1,886,315,000, an increase of $500,000,000 over the Fiscal Year 1990 appropriation. The proposed increase will be used to increase Head Start enrollment by up to an estimated 180,000 children. Head Start currently serves approximately 39% of those poor children who will be entering kindergarten this September. An increase of 180,000 would increase this percentage to over 60% and will continue the efforts begun in FY 1990 towards the President's long term goal of providing universal Head Start to all income-eligible children and their families.

It is likely that this increase will result in more than 180,000 new children being enrolled in Head Start. A portion of the proposed FY 1991 funds ($73.8 million) will be used as 'incentive' money to encourage States to make available State resources to the Head Start programs in their State. This will result in proportionately greater FY 1991 increases going to States which do commit State funds to Head Start and these additional State monies will likely result in additional Head Start children being enrolled above the 180,000 that could be enrolled with just the new Federal monies.

In Fiscal Year 1990 Head Start received an increase of $151,315,000. These additional funds were used to increase salaries in Head Start by 5.4%; to increase Head Start enrollment by 37,500 children; and to increase the amount of funds available for Head Start training and technical assistance.

Of the total FY 1991 request $1,849,715,000 will fund local Head Start programs and $36,500,000 will be used to fund discretionary activities which support the operation of local programs, including training and technical assistance and special handicapped projects ($30,600,000); research, demonstration and evaluation ($3,500,000) and monitoring ($2,500,000). Included in the monitoring amount is $300,000 which is being requested for purposes of paying federal staff travel to conduct on-site monitoring visits of at least 1/3 of the Head Start grantees in each region.

Head Start will continue in FY 1991 a major effort initiated in FY 1988 to begin a more coordinated approach to the provision of services among early childhood providers across the country. While Head Start is the largest single provider of services to low-income children and families, there are an increasing number of other agencies, both state and local, which are becoming involved in the early childhood arena. Head Start must coordinate with these programs to assure a non-duplication of services and to explore ways to combine resources which would permit a cost effective approach to the provision of services.

Head Start will continue its cost management effort in FY 1991, to again assure that Head Start dollars are being used in as effective a manner as possible.

A total of $36,600,000 will be used for discretionary activities which support the operation of local programs. These funds will be used as follows:

Training and Technical Assistance/Special Handicapped Projects:

$30,600,000 - A variety of training and technical assistance activities will assist local projects in meeting program performance standards in such areas as program administration, education, social services, parent involvement and health services. In recent years, Head Start has moved to streamline the provision of training and technical assistance (T/TA). This has been accomplished by greater emphasis on direct funding for grantees who are then able to obtain the specific assistance best suited to their unique needs. This approach has given Head Start programs more responsibility for the management and conduct of their own T/TA services and made T/TA providers more accountable to the local programs.

Provision of technical assistance in FY 1991 will continue to follow the trend, with local grantees being given even greater responsibility for securing and arranging needed technical assistance services.

Support of the Child Development Associate Training plan will be continued through direct funding of local programs. This will allow these programs to maintain a direct role in the selection of staff for training. A minimum of $7.5 million has been earmarked for these activities.

Some technical assistance will continue to be provided through centralized providers and/or the central and regional Head Start offices, although these activities will focus more on supplementing assistance provided through direct funding. One goal of this centrally provided assistance will be to build grantees' capacity to use direct funding. Other activities funded through more centralized approaches may include: developing new training materials, updating existing Head Start publications and materials, providing the necessary information and materials needed by Head Start and the broader child care community, and the transfer of technology from research and evaluation projects. In addition, Child Development Associate credentialing and some technical assistance for Indian and Migrant projects will be funded through centralized providers.

Efforts will be continued in FY 1991 to develop staffing qualifications, similar to the CDA credential, for other than Head Start classroom staff or home visitors. It is currently planned to begin this effort by developing standards for those personnel working in the Parent Involvement/Social Services component of Head Start.

Local Head Start projects in each State provide at least ten percent of their enrollment slots to handicapped children who are mainstreamed into the regular comprehensive child development program. In order to assure that local projects are equipped to deal with the special developmental needs of handicapped children, the Administration for Children, Youth and Families funds a network of Resource Access Projects (RAPS) to provide special training and technical assistance to the local grantees.

Research and Demonstration/Evaluation (R&D):

$3,500,000 - This represents an increase of $2,000,000 over the FY 1990 funding. It is proposed these funds be made available by transferring $2,000,000 of discretionary funding currently included in the amounts going to States and localities and making it available for R & D. The Head Start research and demonstration program will develop and test innovative ideas — models, delivery mechanisms, program options, etc., — that will lead to programmatic and service delivery improvements in Head Start, schools and other programs targeted for preschool children and their families. Evaluation projects will assess the effectiveness of individual service components, investigate the impact of the program on the children and families served, evaluate the feasibility and effectiveness of new experimental projects and assess the value of certain programs and activities. Evaluation findings are utilized to identify program weaknesses and strengths, for developing new policies, and for targeting training and assistance resources.

Examples of the specific projects to be begun or continued in 1991 are an evaluation of the effectiveness of the varying aspects of Head Start (i.e. hours per day, teacher credentials, etc.) to determine what factors are more important than others in predicting positive outcomes for the Head Start child and family; and the funding of projects to evaluate what problems currently exist in the transition of children from Head Start to public school, how these problems can be overcome and also how Head Start can better prepare parents to assume a greater role in their child's education when the child leaves Head Start and begins public school.

Some Head Start projects will continue to be funded to explore different ways to work with Head Start eligible children who have AIDS or other debilitating diseases to help these children receive the benefits of a Head Start experience.

Monitoring

$2,500,000 - It is very important to assure that Head Start programs are carrying out their responsibilities in an efficient and effective manner and are conforming to all relevant legislation and regulations. In order assess how each program is performing its responsibilities and whether or not the programs are in compliance with Head Start standards and expending grant funds in an appropriate manner, each grantee must be visited, and its records reviewed on a regular basis. These funds will pay for the travel costs of Federal OHDS staff and all appropriate costs of the other reviewers who will make up the monitoring team. It is estimated that $300,000 of the $2.5 million will be the cost of Federal staff travel.

(amounts in thousands)

Program Data	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
o Local Head Start Projects			
Projects in States and Territories	$1,115,092	$1,252,901	$1,720,901
Indians and Migrant Prog.	$ 88,081	$ 98,814	$ 128,814
Subtotal, Local Head Start Projects	$1,203,173	$1,351,715	$1,849,715
o Support Activities			
Training and Technical Assistance/ Special Handicapped Projects	$ 28,600	$ 30,600	$ 30,600
Research and Demonstration and Evaluation	$ 1,500	$ 1,500	$ 3,500
Monitoring	$ 1,727	$ 2,500	$ 2,500
Subtotal, Support Services	$ 31,827	$ 34,600	$ 36,600
Total	$1,235,000	$1,386,315	$1,886,315

Program Data	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Children in Head Start Projects	450,970	488,470	668,470
Average ACYF Cost Per Child	$ 2,668	$ 2,767	$ 2,767
Number of Staff	79,549	86,150	117,896
Volunteers	615,000	635,000	850,000
Number of Classrooms	24,026	26,024	35,614

Consolidated Social Services

The 1991 budget includes a Consolidated Social Services display as a means of focusing attention on the total funding level for the many social services grant programs. This consolidation is a budget display only. Individual programs will continue to be funded and operated separately.

The total amount for this display of $1,370,038,000 will fully support all high priority social services activities. While a separate request has been made for each program activity within this display, variations within Consolidated Social Services to accommodate priorities identified by the Congress are welcomed.

Comprehensive Child Development Centers

Authorizing Legislation - Section 670T of the Comprehensive Child Development Act

1991 Authorization: $25,000,000

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$24,668,000	$24,668,000	—

Purpose and Method of Operations - This program is designed to encourage intensive, comprehensive, integrated and continuous supportive services for low-income children from birth until they reach public school age. These services are intended to enhance the physical, emotional and intellectual development of these children, and to provide support to their parents and other family members. These services are particularly directed toward infants and young children from low-income families, who because of health, environmental, or other factors need intensive and comprehensive support to enhance their growth and development. These services include health services, child care which meets State licensing requirements, early childhood development programs, early intervention services and nutritional services. In addition to services to children, parents and other family members will receive services including pre-natal care, education in infant and child development, health nutrition and parenting services, referrals to educational, employment counseling and training agencies and assistance with social welfare needs.

Grants were available in Fiscal Year 1989 for no more than 30 planning projects, for a maximum amount of $35,000 each and periods not to exceed one year. Grants were also available to operate programs serving infants, young children and their families. These grants were available for multi-year project periods.

Funds for this program in Fiscal Year 1989 were authorized by the Comprehensive Child Development Act and were not available unless the appropriation for the Head Start program was at or above 104 percent of the amount appropriated for 1988. Congress added appropriation language in Fiscal Year 1989 to override this requirement.

Grants for operating and planning are awarded competitively to eligible public and private non-profit agencies including Head Start agencies, community-based organizations, institutions of higher education, public hospitals, community development organizations, and organizations specializing in the delivery of services to infants or young children.

In addition to the grants for planning and operational programs, the Secretary is required to conduct or provide for an evaluation of these projects. A report to Congress on the evaluation is due on October 1, 1993.

Rationale for the Budget Request - The Fiscal Year 1991 request is $24,668,000, the same as the Fiscal Year 1990 appropriation. In Fiscal Year 1989 the first grants were made under this program and included 30 planning and 22 operational grants. Additionally, management support was begun. Grants were made to support health, social, educational and economic services for low income families through such activities as child care, prenatal, early educational development, early identification treatment for developmentally disabled children and vocational education. In Fiscal Year 1990 these activities were continued.

In Fiscal Year 1991, grantees will continue to receive support for operational grants. Management support and evaluation will continue.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Planning Grants	$ 1,050,000	$ -0-	$ -0-
Operational Grants	17,815,000	22,568,000	22,268,000
Management Support	750,000	900,000	925,000
Evaluation	145,000	1,200,000	1,475,000
	$19,760,000	$24,668,000	$24,668,000

Child Development Associate Scholarship Program

Authorizing Legislation - Section 606 of the Child Development Associate Scholarship Assistance Act of 1985.

1991 Authorization: Authorizing legislation expires September 30, 1990. Reauthorizing legislation will be proposed.

1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$1,431,000	$1,431,000	—

Purpose and Method of Operations - This program is designed to assist persons whose income is no more than 50 percent above the poverty line to gain certification as a Child Development Associate(CDA). This certification is awarded after completion of a competency-based training program in child care and an assessment of skill levels by the Child Development Associate National Credentialing Program. The funds appropriated for this program are used to pay for the costs of the application for certification, the assessment of the candidate skill level and the credentialing of the candidate as a Child Development Associate. These funds are in addition to approximately $7.5 million from Head Start training funds used annually for this purpose.

Funds are awarded by grants to the States and other eligible governments. The amount each State receives is determined by a formula which provides a minimum base of $350 per candidate for the cost of application, assessment and credentialing for a CDA candidate and an allowance for State administrative costs. The remaining funds are awarded to each eligible State in proportion to each State's percentage of the total population of the Nation. No more than ten percent of the funds received by the State may be used for the costs of administering the program. The remaining funds are awarded by the State to CDA candidates who meet the income eligibility provisions.

Funding for the program since its beginning has been:

1987	$1,000,000
1988	$1,436,000
1989	$1,450,000
1990	$1,431,000

Rationale for Budget Request - The Fiscal Year 1991 request is $1,431,000, the same level as the Fiscal Year 1990 appropriation. These funds will allow continued support to the States for payment of assessment and credentialing of persons seeking to become Child Development Associates. These associates with their proven child development and child care skills are employed in a variety of child care and development agencies including Head Start programs, day care and other child care settings.

Program Data

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Number of Grants	54	54	54
Number of Persons Receiving CDA Credential	3,876	3,816	3,816

Child Abuse State Grants

Authorizing Legislation - Section 114 of the Child Abuse Prevention and Treatment Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Decrease or Increase
$11,522,500	$11,522,500	—

Purpose and Method of Operations - The Child Abuse and Neglect program assists States to improve and increase activities for the prevention and treatment of child abuse and neglect through State grants. These grants to improve services are made directly to eligible States according to a base amount plus an additional amount based on each State's population under the age of 18. Over the past five years, this program has served as a catalyst to assist States to initiate 24-hour capability to respond to reports of child abuse and neglect; to support pilot projects for responding to child sexual abuse cases; to establish parent aide and self-help programs; to recruit and train volunteers; and to develop Statewide crisis hotlines and public awareness campaigns.

The reauthorizing legislation also provides an earmark beginning in Fiscal Year 1985 for supporting State efforts to put into place programs for responding to reports of medical neglect, including instances of withholding medically indicated treatment from disabled infants with life threatening conditions.

Funding levels for the past five fiscal years were as follows:

1986	$11,441,000
1987	$12,000,000
1988	$11,397,500
1989	$11,647,500
1990	$11,522,500

Rationale for Budget Request - The Fiscal Year 1991 request is $11,522,500, the same level as the Fiscal Year 1990 appropriation. These funds will be used to make grants to States to assist them in improving and increasing activities for the prevention, identification and treatment of child abuse and neglect including medical neglect. These grants serve as a catalyst to assist States in: developing and strengthening programs of prevention and treatment; educating of police and judicial workers in the causes, problems and management of child abuse and neglect cases; improving 24-hour capability to respond to reports of child abuse and neglect; improving the management of sexual abuse and medical neglect cases; establishing and strengthening self-help groups; recruiting and training volunteers; developing crisis hotlines; and disseminating information on child abuse and neglect to such key institutions as schools, hospitals, day care centers and runaway and homeless youth facilities.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Estimated Number of States Eligible for Grants	51	54	54
Estimated Number of Reports of Child Abuse and Neglect to Public Agencies	2,660,000	2,900,000	3,200,000

Child Abuse Discretionary Activities

Authorizing Legislation - Section 114 of the Child Abuse Prevention and Treatment Act, as amended.

1991 Authorization: Such sums as may be necessary

1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$13,522,500	$13,522,500	---

Purpose and Method of Operations - The purpose of the Child Abuse Discretionary program is to improve and increase national, State, community and family activities for the prevention, identification, and treatment of child abuse and neglect through research, demonstration, service improvement, information dissemination and technical assistance.

The Child Abuse Prevention and Treatment Act provides that the National Center on Child Abuse and Neglect shall award grants or contracts to support demonstration or service improvement programs to prevent, identify and treat child abuse and neglect; compile, analyze, publish and disseminate an annual summary of research on child abuse and neglect; develop and maintain an information clearinghouse; compile, publish, and disseminate training materials; provide technical assistance directly or through information dissemination; and fund programs or projects which are of national or regional scope and have demonstrated their effectiveness.

Research, demonstration and service improvement grants are awarded competitively to public and private nonprofit agencies, including State and local government agencies, universities and voluntary organizations. Grants and contracts are awarded on the basis of priority statements published in the Federal Register for grants and in the Commerce Business Daily for contracts. Contracts may be awarded to nonprofit or proprietary organizations. Projects supported by grants and contracts may run up to five years, depending upon the availability of funds.

Funding for the past five years was as follows:

1986	$13,339,000
1987	$13,898,000
1988	$13,396,500
1989	$13,647,500
1990	$13,522,500

Rationale for Budget Request - The Fiscal Year 1991 request is $13,522,500, the same level as the Fiscal Year 1990 appropriation. The authorizing legislation, the Child Abuse Prevention and Treatment Act as amended by P.L. 100-294, creates a series of required action studies and priorities which will govern the activities of this program through FY 1991. It specifies the duties of the Advisory Board on Child Abuse and Neglect and increases the membership to 15. It also specifies the competencies to be represented and requires that at least two members be on the newly created Interagency Task Force on Child Abuse and Neglect whose duties are to coordinate the efforts of other Federal agencies, to encourage other agencies to become involved in abuse and neglect prevention and treatment activities and to prepare a comprehensive plan for coordinating all Federal child abuse and neglect activities. In Fiscal Year 1991 these two bodies will continue to receive necessary support to allow them to carry out their duties. Continued support will be given to the National Clearinghouse for Information Relating to Child Abuse. The Clearinghouse will gather and disseminate information on promising programs of prevention and treatment and the incidence of child abuse and neglect.

Specific research priorities that will continue to be funded in Fiscal Year 1990 are related to the causes, prevention, identification and treatment of child abuse and neglect, appropriate and effective investigative, administrative and judicial procedures with respect to cases of child abuse and neglect and continuing attention to the incidence of abuse and neglect. Specifically, areas to be addressed will include whether the incidence is increasing or decreasing, whether specific economic, physical and mental handicaps relate to that incidence and specific examination of substantiated child abuse cases that end in civil or criminal proceedings and the outcomes of these cases.

Funding will support demonstration and service projects including resource centers, training programs for professionals and paraprofessionals in law, medicine, education, social work and other relevant fields, parent self-help groups and innovative prevention and treatment programs. Also technical assistance projects to improve the detection, treatment and management of child abuse cases will be funded.

Child Abuse and Neglect Discretionary Activities

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Research, Demonstration and Service Improvement	$11,462,517	$10,052,888	$10,329,919
Technical Assistance	1,504,072	2,522,423	1,848,000
Clearinghouse	459,279	628,339	645,081
Advisory Board/ Interagency Task Force	176,205	150,000	150,000
Publications	45,427	169,350	550,000
Total	$13,647,500	$13,523,000	$13,523,000

Child Abuse Challenge Grants

Authorizing Legislation - Section 203 of the Child Abuse Prevention and Treatment Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$4,934,000	$4,934,000	—

Purpose and Method of Operations - The purpose of this program is to encourage States to establish and maintain trust funds or other funding mechanisms including direct State appropriations to support child abuse and neglect prevention activities.

Each State must apply for the funds to the Secretary at such time, in such manner, and containing such information as the Secretary deems essential but in any case must include: designation of an agency to administer the funds, either the trust fund advisory board or, if lacking, the State liaison agency to the National Center on Child Abuse and Neglect; provision for keeping records and making such reasonable reports as the Secretary deems essential; and assurances that funds will not be used to match other Federal funding.

Federal "matching" grants are to be the lesser of 25 percent of the total amount made available by the State for child abuse and neglect prevention activities in the previous year; or an amount equal to 50 cents times the number of children residing in such State according to the most current data available.

In Fiscal Year 1990, 47 States are expected to have established such trust funds or other funding mechanisms.

Funding levels for the past five years were as follows:

1986	$ -0- a/
1987	$5,000,000
1988	$4,787,000
1989	$4,834,000
1990	$4,934,000

a/ No funds were appropriated in 1986. The $5 million appropriated in 1985 was unobligated and was available in Fiscal Year 1986 through two-year availability.

Rationale for Budget Request - The Fiscal Year 1991 request is $4,934,000, the same as the Fiscal Year 1990 appropriation. This program is designed to encourage States to create and maintain Children's Trust Funds or other funding mechanisms using funds generated by State appropriations or other sources of State and local funding to support child abuse and neglect prevention activities.

Program Data:

Fiscal Year	Number of Grants
1986	33 Actual
1987	44 Actual
1988	42 Actual
1989	46 Actual
1990	47 Actual
1991	47 Estimate

	FY 1989 Actual No. of States	FY 1990 1/ Appropriations	FY 1991 1/ Estimate
25 percent of allowable claims	40		
50 cents times the number of of children under 18 yrs of age.	6		
Total	46		

1/Fiscal years 1990 and 1991 cannot be provided until applications have been received.

Runaway and Homeless Youth Program

Authorizing Legislation - Section 366(a) of the Runaway and Homeless Youth Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$28,785,000	$28,785,000	—

Purpose and Method of Operations - This program addresses the crisis needs of runaway and homeless youth and their families through support to local and State governments and private agencies. Grants are used to develop or strengthen community-based centers which are outside the law enforcement structure and Juvenile Justice system. The Runaway and Homeless Youth Act mandates that 90 percent of funds for this program be allocated to the State jurisdictions on the basis of the State youth population under 18 years of age in proportion to the national total. Applications are received by the State, and deemed acceptable for funding through a competitive review process.

There are an estimated one million youth who run away or are pushed out of their homes every year. Approximately 11 percent of all youth served by the centers were homeless either through mutual agreement with their respective families or because they have been pushed out by a parent or legal guardian.

Over the past five years Federal assistance for the center grants portion of this program, which has established or strengthened temporary shelters for runaway and homeless youth, has totaled over $100 million. Approximately 1,600,000 young persons received needed services. Recent data show that 56 percent of these youths' parents also received services from the runaway and homeless youth programs. An additional 1,200,000 youth and families have been served through the National Toll-Free Communications Systems (hotline) during the past five years at an average cost of $400,000 per year.

In addition to the funds which directly support temporary shelters for runaway and homeless youth, approximately 15 percent of the funds over the past five years have been used to fund projects which support and strengthen the work of the shelters. The recent reauthorizing legislation now limits funding for these activities to 10 percent of the appropriation. These include the national toll-free runaway and youth hotline; training and technical assistance activities; and research and demonstration projects on a wide variety of topics including teenage prostitution, chronic runaways, the special situation of older adolescents, and methods to improve program administration, outreach, and prevention and family reunification. Also funded, since Fiscal Year 1984, are grants to coordinate activities among local shelters. These networking grants support mutual problem-solving cooperation among shelters.

Funding levels over the past five years have been as follows:

1986	$22,250,000
1987	$23,250,000
1988	$26,089,000
1989	$26,923,000
1990	$28,785,000

Rationale for the Budget Request - The Fiscal Year 1991 request is $28,785,000, the same level as the Fiscal Year 1990 appropriation. The request will support 355 runaway and homeless youth centers serving approximately 65,000 residential clients. In addition, it will provide support for networking grants to strengthen coalitions of centers to provide individual centers a broad variety of needed services; and for the National Toll-Free Communications System.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Runaway and Homeless Youth Centers			
Dollars	$24,230,700	$25,906,525	$25,906,525
Number of Centers	(343)	(355)	(355)
Number of Youth Served (estimate)	(63,500)	(65,000)	(65,000)
National Toll Free Communications System	$ 500,000	$ 600,000	$ 750,000
Coordinated Networking	$ 780,000	$ 750,000	$ 750,000
Cross-Program Model Demonstration Project	$$1,212,300	$ 1,130,000	$ 1,178,475
Other	$ 200,000	$ 398,475	$ 200,000
Total	$26,923,000	$28,785,000	$28,785,000

Transitional Living Program for Homeless Youth

Authorizing Legislation - Part B (Section 321 (a) of the Runaway and Homeless Youth Act.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Decrease or Increase
$9,867,000	$9,867,000	- - -

Purpose and Method of Operations - The Transitional Living Program for Homeless Youth addresses the shelter and service needs of homeless youth through financial support and technical assistance to public and private non-profit entities. This program received its first appropriation in FY 1990. Grants will be used to: (1) develop or strengthen community-based programs which assist homeless youth in making a smooth transition to a productive adulthood and social self-sufficiency; and (2) provide technical assistance to transitional living programs to enhance their capacity to acquire and maintain resources and service linkages in their local communities to benefit program participants.

It is estimated that between one-third and one-half of all youth served by the current runaway and homeless youth centers are homeless either through mutual agreement with their families or because they have been pushed out by a parent or legal guardian. This new program for homeless youth is specifically designed to meet the more complex, long-term needs of homeless youth (ages 16-21) without negatively impacting the availability of services for runaway youth and their families.

A homeless youth accepted into the Transitional Living Program is eligible to receive shelter and services continuously for up to 540 days (18 months). The services include: information and counseling services in basic life skills, such as personal finances and housekeeping; interpersonal skill building (decision-making, priority-setting); educational advancement; job attainment; and mental and physical health care. It is projected that approximately 75 grants will be awarded by September 30, 1990.

Rationale for Budget Request - The fiscal year 1991 budget is $9,867,000. The request will be used to fund approximately 75 grants to (1) support community-based transitional living program grantees to enhance their program capacity; and (2) to develop model practices and technology transfer methodologies for enhancing service provision. Grants to transitional living programs will range from $100,000 to $200,000 depending on the type(s) of housing used.

Program Data:

	FY 1989 Actual		FY 1990 Appropriation		FY 1991 Estimate	
	No.	Amount	No.	Amount	No.	Amount
Grants	-0-		75	$9,037,000	75	$9,037,000
Contracts	-0-		2	830,000	2	830,000
			77	$9,867,000	77	$9,867,000

Dependent Care Planning and Development

Authorizing Legislation - Section 670A of the State Dependent Care Development Grants Act, as amended.

1991 Authorization: Authorizing legislation expires September 30, 1990. Reauthorizing legislation will be proposed.

1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$13,178,000	$13,178,000	---

Purpose and Method of Operations - The purpose of this program is to provide States with funds for activities in two specific areas: activities related to dependent care resource and referral systems and activities related to school-age child care services. In each of these two areas, funds may be used to assist in the planning, development, establishment, expansion or improvement of services but may not be used for costs of operation of any resource and referral center or before or after school child care program, to make cash payments to intended recipients of services, to subsidize direct provision of services, pay for construction or renovation or to be used as matching funds for Federal funds. Forty percent of funds must be used for activities related to dependent care resource and referral systems and 60 percent for activities related to school-age child care services.

Funds to support these activities are allotted to the States by formula. Each State shall receive an amount which bears the same ratio to the total amount appropriated as the population of the State bears to the population of all States except that no State will receive less than $50,000. The $50,000 minimum does not apply to the eligible Territories and Insular Areas.

Funding levels for the past five years have been:

1986	$4,785,000
1987	$5,000,000
1988	$8,377,000
1989	$11,856,000
1990	$13,178,000

Rationale for Budget Request - The Fiscal Year 1991 request is $13,178,000 the same level as the Fiscal Year 1990 appropriation. In Fiscal Year 1991, Dependent Care funds will be used to provide States the opportunity to support activities related to dependent care resource and referral systems and activities related to school-age child care services. In each of these two areas, funds will be used to assist in the planning, development, establishment, expansion, or improvement of services. Funds supporting resource and referral systems are to also provide information for the elderly, handicapped and for families seeking day care.

Program Data:

Fiscal Year	Amount	No. of Grants
1986	$ 4,785,000	53
1987	5,000,000	56
1988	8,377,000	56
1989	11,856,000	56
1990	13,178,000	56
1991	13,178,000	56

Temporary Child Care and Crisis Nurseries

Authorizing Legislation - Section 206 of the Temporary Child Care for Children with Disabilities and Crisis Nurseries Act of 1986, as amended.

1991 Authorization: $20,000,000

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$8,328,000	$8,328,000	---

Purpose and Method of Operations - This program is intended to demonstrate the effectiveness of assisting States to provide temporary non-medical child care for children with special needs to alleviate social, emotional and financial stress among children and the families of such children and to provide crisis nurseries for children who are abused and neglected, at risk of abuse and neglect or who are in families receiving child protective services. One-half of each year's funds are to be used for Temporary Child Care and one-half for Crisis Nurseries.

Grants are made to States which apply to support demonstration projects by local governments and private non-profit agencies. These projects will assist in supporting the establishment, maintenance and expansion of programs to provide in-home or out-of-home non-medical child care for handicapped children and children with chronic or terminal illnesses and programs to provide crisis nurseries for children who are abused or neglected, at high risk of abuse and neglect or families which are receiving child protective services. These latter programs are required to provide referral to support services.

The costs charged for temporary child care shall be based on a sliding fee schedule and there shall be no costs to the family for crisis services for up to 30 days in any year. The State may not use more than five percent of its total funds for administrative costs.

The State is required to give priority consideration in the award of Temporary Child Care funds to agencies and organizations with experience in working with handicapped and chronically ill children and their families. Priority consideration must be given in the award of Crisis Nurseries funds to agencies and organizations with experience in working with abused and neglected children and their families. For both programs the State must give consideration to projects which serve communities demonstrating the greatest need for services.

Rationale for the Budget Request - The Fiscal Year 1991 request is $8,328,000, the same as the Fiscal Year 1990 appropriation. In FY 1991, continuations and new grants will be funded in both program sections to demonstrate the provision and temporary, non-medical child care for children with disability and chronic or terminal illnesses to alleviate social, emotional and financial stress among children and the families of such children and to provide crisis nurseries for children who are abused and neglected, at risk of abuse and neglect or who are in families receiving child protective services. One-half of each year's funds are to be used for Temporary Child Care and one-half for Crisis Nurseries.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Number of Grants	32	55	55
Total Funding Level	$4,940,000	$8,328,000	$8,328,000

Child Welfare Services

Authorizing legislation - Section 420, Title IV-B, of the Social Security Act, as amended.

1991 Authorization: $325,000,000

FY 1989 Appropriation	FY 1990 Estimate	Increase or Decrease
$252,648,000	$300,000,000a/	+$47,352,000a/

a/ The increase of $47,352,000 is a transfer from the Payments to States for Foster Care and Adoption Assistance account.

Purpose and Method of Operations - This program helps State public welfare agencies improve their child welfare services with the goal of keeping families together. State services include preventive intervention so that, if possible, children will not have to be removed from their homes; services to develop alternative placements such as foster care or adoption if children cannot remain at home; and reunification so that children can return home if at all possible.

Funds are distributed to the States in the form of grants. Each State receives a base amount of $70,000. Any additional funds available to States are allotted in proportion to each State's population of children under age 21 multiplied by the complement of the State's average per capita income. The State match requirement is 25 percent.

All States are eligible to receive a share of the first $141 million appropriated for Child Welfare Services. However, as an incentive to States, only those States which have implemented the specific protections for children contained in P.L. 96-272, the Adoption Assistance and Child Welfare Act of 1980, are eligible to share in any amount appropriated for this program in excess of $141 million. As a further incentive, States implementing the protections may also choose to transfer unused funds from their Foster Care allotment to Child Welfare Services.

In fiscal year 1990, 49 States or jurisdictions were eligible for incentive funds. In fiscal year 1991, it is estimated that the same number of States will be eligible to share in the additional funds. Child Welfare Services are available to children and their families without regard to income.

Funding of the program during the past five fiscal years has been as follows:

1986	$198,099,000
1987	$222,500,000
1988	$239,350,000
1989	$246,679,000
1990	$252,647,751

The appropriations cited above do not include the additional funds that the States voluntarily transfer to Title IV-B Child Welfare Services from the Title IV-E Foster Care. In fiscal year 1990, it is estimated that States are estimated to transfer an additional $1.2 million to Child Welfare Services.

Under Section 428 of the Social Security Act, beginning in fiscal year 1983, grants were awarded directly to eligible Indian Tribal organizations meeting State plan requirements for child welfare services. In fiscal year 1989, grants totaling $464,529 were made to 31 Indian Tribal Organizations in 11 States: Alaska, Arizona, Colorado, Mississippi, Montana, New Mexico, North Carolina, North Dakota, Oklahoma, South Dakota, and Utah. All of the funds were awarded from the allotment of the States in which the_Indian Tribal Organizations are located. In fiscal year 1990, grants were made to the same Indian tribal organizations for $470,000.

Rationale for the Budget Request - In fiscal year 1991, the request is $300,000,000, an increase of $47,352,249 over the Fiscal Year 1990 appropriation. The increase of $47,352,000 is a transfer from the Payments to States for Foster Care and Adoption Assistance account and represents a portion of the proposal to increase services to children and families while at the same time limiting the rate of growth in administrative costs for foster care. Increasing numbers of families find themselves in or on the threshold of crisis due to problems confronting them such as drug use by parents and adolescent children. This increase will provide States with additional incentive funds to provide preventive and reunification services to children and their families.

Child Welfare Training

Authorizing Legislation: Section 426 of Title IV-B of the Social Security Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$3,647,000	$3,647,000	—

Purpose and Method of Operations - Discretionary grants are awarded to public and private non-profit institutions of higher learning to develop and improve education/training programs and resources for child welfare service providers. These grants upgrade the skills and qualifications of child welfare workers through their participation, full-time or part-time, in programs focused specifically on child welfare services. Activities supported include:

- providing practice-oriented training for workers and supervisors;
- providing training in critical child welfare issues for key administrators and managers of State public child welfare agencies;
- improving the ability of State or local child welfare agencies to provide practice-relevant child welfare services training, or to implement staff development activities;
- providing financial support to public voluntary child welfare workers and students to upgrade their practice skills and to acquire specialized information and expertise related to the delivery of child welfare services.

Appropriations for the past five years have been as follows:

1986	$3,658,000
1987	$3,823,000
1988	$3,660,000
1989	$3,696,000
1990	$3,647,000

Rationale for the Budget Request - The Fiscal Year 1991 request is $3,647,000, the same level as the Fiscal Year 1990 appropriation. This program will provide support for child welfare traineeships, child welfare in-service training, and projects between schools of social work and child welfare agencies. These, along with other traineeship and in-service training programs funded through this authority, are designed to assure the availability of adequately trained and skilled staff for public child welfare and child protective services and to develop and demonstrate creative, sound and economical ways to promote child welfare training goals.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
In-Service Training			
Dollars	$1,207,000	$1,250,000	$1,250,000
Grants	(14)	(15)	(15)
Traineeship Grants			
Dollars	1,666,000	1,587,000	1,587,000
Grants	(56)	(55)	(55)
Nationally Significant Grants			
Dollars	790,000	776,000	776,000
Grants	(8)	(7)	(7)
Other	33,000	34,000	34,000
Total Dollars:	$3,696,000	$3,647,000	$3,647,000
Total Grants:	(78)	(77)	(77)

Child Welfare Research and Demonstration

Authorizing Legislation: Section 426 of Title IV of the Social Security Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$7,517,000	$13,517,000	+$6,000,000

Purpose and Method of Operations - The Child Welfare Research and Demonstration Program strengthens the family as the primary agent responsible for the developmental needs of children and youth. Funds support research, demonstration, dissemination, utilization and technical assistance activities in four basic areas — placement prevention, reunification, foster care, and specialized foster care. These four areas address the needs and problems confronting some of the most vulnerable children and families in the country: children in dysfunctional families, children in foster care, children in need of adoptive homes, children who require specialized care such as children with AIDS or developmental disabilities.

The focus is on projects which hold particular promise for contributing to knowledge of how to support the family as the principal child rearing unit and how to enable families to better meet their own needs. Information is generated and disseminated on child rearing skills; family environment; types of resources and services which foster the development and well-being of children, youth and families; and the interactions which occur between families and institutions.

The Child Welfare Research and Demonstration program also seeks qualitative improvements in the services provided for children, youth and families and in the systems which deliver these services. Efforts include: preventing family dissolution with supportive and emergency services to provide permanent suitable placement for children; and improving the quality of services and service delivery approaches for homeless youth and for children in foster care.

Research, demonstration, dissemination, utilization and technical assistance grants are awarded competitively to public and private non-profit agencies including State and local governments, universities and voluntary agencies.

Grants and contracts are awarded on the basis of announcements published in the Federal Register for grants and the Commerce Business Daily for contracts. Contracts may be awarded to profit or non-profit organizations. Grant project periods range from 12 to 36 months. Contract project periods range from 12 to 24 months.

Rationale for the Budget Request - The Fiscal Year 1991 request is $13,517,000, an increase of $6,198,000 over the Fiscal Year 1990 appropriation. To assist the youngest and most vulnerable victims of drugs and HIV, the additional of $6,000,000 will be used to fund innovative projects that demonstrative ways to meet the immediate nonmedical needs of infants born to crack-cocaine using mothers and HIV-infected children. One-time demonstrations will be funded to increase access to comprehensive multidisciplinary services.

In Fiscal Year 1991, priority will be given to projects which build community-based service systems aimed at helping children who have AIDS and their families during this time of great stress and if possible keeping the family together. Funding will support projects which will develop and test program models for specialized foster care. Funds will support research and demonstration projects in the area of family preservation and placement prevention using family based services for in-home and out-of-home care. This effort will identify gaps in knowledge, what practices have been effective and provide a base of knowledge for policy development and information dissemination. This program will support a broad variety of in service training and traineeships to improve State and local management of child welfare and child protective services. It will support an examination of child welfare training and education policies and a range of projects designed to improve services to develop mentally disabled children in the Child Welfare System.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Child Welfare Issues	$1,101,013	$1,215,267	$1,215,267
Foster Care Service Models	3,431,937	3,940,733	3,940,733
Resource Centers	404,000	670,000	670,000
Cross-cutting Projects	828,050	1,691,000	1,691,000
"Crack Baby" Demonstrations	—	—	6,000,000
Totals:	$5,765,000	$7,517,000	$13,717,000

Adoption Opportunities

Authorizing Legislation - Section 205 of the Child Abuse Prevention and Treatment and Adoption Reform Act of 1978, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$6,736,000	$6,736,000	—

Purpose and Method of Operations - The Adoption Opportunities program eliminates barriers to adoption and helps to find permanent homes for children who would benefit by adoption, particularly children with special needs. The three major program areas, as mandated by the legislation, are: (1) the development and implementation of a national adoption and foster care data gathering and analysis system; (2) the development and implementation of a national adoption information exchange system; and (3) the development and implementation of an adoption training and technical assistance program. Activities in these three areas are supported through grants and contracts.

When appropriations are in excess of $5 million, grants for minority children placement and post legal adoption services, and grants for improving State efforts to increase the placement of foster care children legally free for adoption, according to a pre-established plan and goals for improvement shall be made. Grants for the placement of foster care children cannot exceed one million dollars during any fiscal year.

Research and demonstration grants are awarded through competitive review to public and private non-profit agencies including State and local governments, universities and voluntary agencies. Contracts may be awarded to non-profit or voluntary organizations. Grants and contracts are awarded on the basis of priority statements published in the Federal Register for grants and the Commerce Business Daily for contracts. Projects supported by grants and contracts generally run for one or two years.

Funding levels for the past five years are as follows:

1986	$4,785,000
1987	$5,000,000
1988	$4,787,000
1989	$6,027,000
1990	$6,736,000

Rationale for Budget Request - The Fiscal Year 1991 request is $6,736,000, the same level as the Fiscal Year 1990 appropriation. It will support projects which will continue to provide information and model programs to improve the entire field of adoption as well as free more children for adoption. In particular, projects related to the adoption of special needs children will be a priority. This program will fund a major synthesis of literature and the products of research and demonstration. This project will assess and synthesize current knowledge and identify gaps in information about services, design effectiveness, and related issues concerning special needs adoption. Continued support will be given to the development of new or involvement of existing adoptive parent groups to utilize their knowledge in the adoption of special needs children. These groups can provide information and referral services, recruitment and orientation of prospective adoptive parents and support to families after placement of a child. Other projects will support collaborative efforts between adoption agencies and local mental health services for the development and expansion of treatment skills and resources for special needs children and their families. This program will support minority children placement and post legal adoption services grants. Grants will also be made to States that increase the adoptive placement of foster care children legally free for adoption. Additionally, funds from this program will support the National Adoption Clearinghouse.

Program Data:

	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Research/Demonstration Grants	$5,271,780	$5,721,723	$5,700,000
Contracts	700,220	836,000	836,000
Other	55,000	178,277	200,000
Totals:	$6,027,000	$6,736,000	$6,736,000

Drug Education and Prevention Program for Runaway and Homeless Youth

Authorizing Legislation - Section 3513(a) of the Anti-Drug Act of 1988, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$14,801,000	$14,801,000	---

Purpose and Method of Operations - The purpose of this program is to reduce and prevent the illicit use of drugs by runaway and homeless youth. This will be carried out through research, demonstration and service grants awarded to public and private non-profit organizations designed to; provide individual, family and group counseling to runaway youth and their families and homeless youth to reduce or prevent drug abuse; to develop and support peer counseling programs for runaway and homeless youth; to develop and support community education programs including outreach to individual youth; to provide assistance to runaway and homeless youth in rural areas through the development of support groups; to provide training and information on drug abuse to persons involved in providing services to runaway and homeless youth; to support research on illicit use of drugs by runaway and homeless youth; the effect on those youth of drug use by family members and any correlation between such use and suicide or attempted suicide; and, to improve the availability and coordination of local service programs assisting runaway and homeless youth.

Particular priority for a grant is given to agencies and organizations which have experience in providing service to runaway and homeless youth.

Additionally, the statute requires an annual report which describes the types of projects funded, the number and characteristics of youth and families served, and descriptions of exemplary projects.

Funding for this program is as follow:

1989	$15,000,000
1990	$14,801,000

Rationale for Budget Request - The request for this program for Fiscal Year 1991 is $14,801,000 the same as the 1990 appropriation. This amount will support the continuation of service and demonstration grants in the areas of comprehensive service delivery and resource development for runaway and homeless youth and their families, training programs for youth service providers, and contracts for research, technical assistance, monitoring and evaluation of grantee activities.

Program Data:

	FY 1989 Actual		FY 1990 Appropriation		FY 1991 Estimate	
	No.	Amount	No.	Amount	No.	Amount
Demonstration Grants	102	$13,813,000	192	$13,160,000	170	$13,151,000
Research Contract		-0-	1	550,000	1	450,000
Other Contracts	4	1,187,000	3	1,091,000	3	1,200,000
	106	$15,000,000	196	$14,801,000	174	$14,801,000

Drug Education and Prevention Program for Youth Gangs

Authorizing Legislation - Section 3505 of the Anti-Drug Abuse Act of 1988, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$14,801,000	$14,801,000	—

Purpose and Method of Operations - The purpose of this program is to reduce and prevent the participation of youth gang's in illicit drug activities. It will support programs to promote the involvement of youth in lawful activities; to prevent abuse of drugs by youth and educate youth about the problems associated with such abuses; to support activities of local police departments and other law enforcement agencies to conduct educational outreach programs in communities where youth gangs commit drug-related crimes; to inform gang members and their families of the availability of drug treatment and rehabilitation services and to refer drug abuse to them; to facilitate Federal and State cooperation with local school officials to assist youth who are likely to become involved with gangs that commit drug-related crimes; and to facilitate coordination and cooperation among local education, juvenile justice, employment and social service agencies, drug abuse treatment and referral, and rehabilitation programs to reduce or prevent the participation in drug activities of youth gangs. Additionally, this program will provide technical assistance to eligible organizations in planning and implementing drug abuse education, prevention, rehabilitation and referral programs for youth associated with gangs that commit drug-related crimes. The statute provides for the award of grants and contracts to eligible agencies for a broad range of projects and activities related to the reduction and prevention of youth participation in gangs that commit drug-related crimes. Particular priority in the award of such grants and contracts will be given to application for projects which will serve areas in which frequent and severe drug-related crimes are committed by youth gangs and projects which clearly demonstrate that they have the broad support of community based organizations in such geographic areas.

Funding for this program is as follow:

1989	$15,000,000
1990	$14,801,000

Rationale for Budget Request - The request for this program in Fiscal Year 1991 is $14,801,000 the same as the 1990 appropriation. This amount will support the continuation of discretionary demonstration grants in the areas of community-based prevention, diversion, family support, and public education activities. Efforts to improve school and community operation, and coordination of youth service systems will also be continued, as well as contracts in the areas of technical assistance for grantees and communities, and monitoring and evaluation of grant projects.

Program Data:

	FY 1989 Actual		FY 1990 Appropriation		FY 1991 Estimate	
	No.	Amount	No.	Amount	No.	Amount
Grants	52	$14,840,000	35	$13,225,000	35	$13,281,000
Contracts	2	160,000	4	1,576,000	4	1,520,000
	54	$15,000,000	39	$14,801,000	39	$14,801,000

Abandoned Infants

Authorizing Legislation: Section 104 of the Abandoned Infants Assistance Act of 1988.

1991 Authorization: $15,000,000

FY 1990 Appropriation	FY 1991 Estimate	Decrease or Increase
$9,867,000	$9,867,000	—

Purpose and Method of Operations - The purpose of this program is to provide financial support to public and non-profit private entities to develop, implement, and operate demonstration projects that will prevent the abandonment of infants and young children; identify and address their needs, especially those infected with AIDS; assist such children to reside with their natural families or in foster care, as appropriate; provide respite care for families and caregivers; and recruit and train caregivers. Grantees must establish a care plan and case review system for each child.

Evaluation studies and other special studies will be undertaken by contract. Technical assistance will also be provided, including training, through contracts or grants to support the development, and operation of projects.

Recent appropriation have been:

1990	$9,867,000

Rationale for the Budget Requests - The Fiscal Year 1991 request is $9,867,000, the same level as the FY 1990 appropriation. This program will provide support for discretionary grants to develop and demonstrate prevention intervention strategies to prevent the abandonment of infants and to provide necessary and appropriate care for those that are abandoned. It will also support special studies and technical assistance to assure the availability of effective service models and intervention strategies.

Family Violence

Authorizing Legislation: Section 310 of the Family Violence Protection and Services Act, as amended.

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$8,273,000	$8,273,000	—

Purpose and Method of Operations - Within the Office of Human Development Services, this program is administered by the Office of Policy, Planning and Legislation. Formula grants are awarded to States and Indian Tribes to assist in supporting programs and projects to prevent incidents of family violence and to provide immediate shelter and related assistance for victims of family violence and their dependents. The statute requires the Department to carry out research, training and technical assistance, coordination, and clearinghouse activities. Section 311 of the Act also requires the transfer of funds to the Department of Justice to carry out regionally-based training and technical assistance for State and local law enforcement personnel.

Although enacted as a part of the Child Abuse Amendments of 1984, Congress appropriated $6,000,000 for the first time in Fiscal Year 1985, with two-year availability, for this program. Grants were first awarded in Fiscal Year 1986. The program was reauthorized in April 1988 for Fiscal Years 1989-91.

Based on section 310 of the Act, the Department makes 85 percent of the funds available to States. State grants range from $50,000 (the minimum allocation) to $740,000. Grants to territories and insular areas are equal to one-eighth of 1 percent of the amounts available for grants for that fiscal year.

The Act specifies that a State may keep 5 percent of its allotment for administrative costs and must distribute the remaining funds to local public agencies and non-profit private organizations, including religious and charitable organizations and voluntary associations. Sixty percent of funds must be used for programs and projects to prevent incidents of family violence and provide immediate shelter and related assistance to victims and their dependents. Depending on the needs in the State, most States exceed the 60 percent requirement. States may use the remaining funds to establish new shelters in underserved areas; expand counseling, self-help, and substance abuse services; set up demonstration programs, e.g., elder abuse shelters; or provide training for staff and volunteers. Indian Tribes were also funded on the basis of population. Grants to Tribes ranged from $5,360 to $42,910 in 1989. Tribes used these funds primarily for emergency shelter and related assistance. Grants under the Act have assisted Tribes to focus on and improve services to victims and their families by identifying existing resources and developing coordination agreements with other service organizations. Some Tribes also have used these funds for public education efforts to break patterns of alcoholism and family violence.

Other activities supported by the Act included training of law enforcement personnel by the Department of Justice; support for the National Clearinghouse on Family Violence Prevention; research activities with the Department of Justice and the Administration on Aging and the provision of technical assistance workshops.

The Department of Justice's grantee conducted five regional train-the-trainers seminars using a trainer's manual and training video tapes previously developed Model operational policies and procedures were developed in conjunction with law enforcement officials to guide State and local agency response to family violence.

The grantee that administers the National Child Abuse and Neglect Clearinghouse also has responsibility for the National Clearinghouse on Family Violence Prevention. The National Clearinghouse compiled a definitive bibliography on Family Violence; a list of key research studies; a list of expert consultants; and information on best practices, protocols, and model programs at the State and local level. Most of this information will be available for dissemination in FY 1989.

Research activities have been funded in cooperation with the Department of Justice, and an elder abuse study was funded in cooperation with the Administration on Aging.

As a part of the OHDS FY 1988 Coordinated Discretionary Funds Process, five grantees (State coalitions of family violence shelter directors) were awarded funds to carry out multi-State training and technical assistance projects.

Funding for the last five has been as follows:

1986	$8,393,000
1987	$8,500,000
1988	$8,138,000
1989	$8,219,000
1990	$8,273,000

Rationale for the Budget Request - The proposed Fiscal Year 1991 request for Family Violence is $8,273,000, the same as the 1990 appropriation. The funds requested would support grants to States and Indian Tribes; Law Enforcement Training, and the National Clearinghouse on Family Violence. All of these activities are designed to prevent incidents of family violence and provide immediate shelter and related assistance for victims of family violence and their dependents.

Program Data:

	1989 Actual	1990 Appropriation	1991 Request
Grants to States	$6,986,150	$7,032,050	$7,032,050
Grants to Indian Tribes	612,850	671,000	671,000
Law Enforcement Training-Department of Justice	470,000	470,000	470,000
National Clearinghouse-on Family Violence	100,000	100,000	100,000
Training and Technical Assistance	50,000	—	—
Total	$8,219,000	$8,273,000	$8,273,000

Aging Supportive Services and Senior Centers

Authorizing Legislation - Section 303(a) of the Older Americans
Act of 1965, as amended.

1991 Authorization: $439,406,000

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$272,961,000 (a)	$272,961,000 (a)	—

a/ Includes $975,000 for Ombudsman Services.

Purpose and Method of Operations - Federal funds for Supportive Services and Senior Centers are awarded to each State with an approved State plan on aging under Title III of the Older Americans Act. Funds are distributed to the States according to the formula prescribed in the Older Americans Act. The formula mandates that no State be allotted less than the total amount allotted under Title III in Fiscal Year 1984. Additional funds are distributed based on the proportion of the population of persons 60 years of age and older in the States. Further, the formula mandates that no State receive less than one-half of one percent of the funds awarded. In the cases of Guam, the Trust Territory of the Pacific Islands, and the Virgin Islands, the formula mandates that they receive at least one-fourth of one percent of the funds awarded. Under the Compact of free Association, the Republic of Palau, which was formerly part of the Trust Territories, is the only remaining jurisdiction which will receive Title III funding in FY 1991 at a rate less than the rate provided for in the Older Americans Act.

Finally, in the cases of American Samoa and the Northern Mariana Islands, the formula mandates that they receive at least one-sixteenth of one percent of the funds awarded.

Submission of an acceptable two-, three-, or four-year State plan describing the State's strategy for meeting the needs of the elderly population is required in order for the State to receive its formula grant monies. There is a 15 percent funding match requirement for the costs of operating and establishing supportive services, including multipurpose senior centers. There is a 25 percent match requirement for administration. State agencies on aging make awards to area agencies on aging, which provide for a network of community-based services and other appropriate assistance. Awards made by the States are based on State-approved area plans and intra-State funding formulas.

Funds appropriated for the Supportive Services and Senior Centers Program have been used to assist communities in the establishment and expansion of comprehensive, coordinated systems of services. More specifically, these funds make possible the following: planning and delivery of services in such areas as access, in-home, community-based and institutional which benefit older persons and their families; the establishment of better linkages between and among different service providers to assure improved coordination; and more efficient use of available resources through strengthened service planning management and procedures.

Supportive services which may be provided include activities in four major categories: (1) Access; (2) In-home; (3) Community Services; and (4) Services in Care-providing Facilities.

Area agencies must give special emphasis to the provision of services to older persons with the greatest economic or social need, with particular attention to low-income minority individuals. These agencies must also assure that appropriate outreach and counseling services are available to older persons with limited English-speaking ability.

Since 1982 supportive services have been provided to approximately 9 million persons per year, 43 percent of whom were economically-needy and 47 percent of whom were socially-needy.

There are no fees in this program; however, older persons must be provided with an opportunity to make voluntary contributions to help defray the cost of the services. Under current law, these contributions are used by local programs to expand services. Program income, including contributions from older persons who receive services, has increased from $9,800,000 in Fiscal Year 1981 to $23,100,000 in Fiscal88ear 1989.

Funding levels the past five fiscal years have been as follows:

1986	$253,605,000
1987	$270,000,000
1988	$269,029,000
1989	$276,640,000
1990	$272,961,000

Rationale for the Budget Request - The FY 1991 request is $272,961,000, the same as appropriated for FY 1990. This request is expected to support increased units of service as a result of increased productivity. An amount of $975,000 is included for ombudsman services.

During FY 1991, this program will continue to emphasize targetting resources on those in greatest need, particularly those in danger of losing their independence. Outreach to the most vulnerable elderly will increase. Efforts will continue in FY 1991 to increase the services provided with available resources by working through State and area agencies on aging.

Historically, as a result of increasing contributions from program participants and more efficient service delivery, greater levels of service units have been provided from year to year. This trend is expected to continue.

Funds appropriated for the Supportive Services and Senior Centers Program have been used to assist communities in the establishment and expansion of comprehensive, coordinated systems of services. More specifically, these funds make possible the following: planning and delivery of services in such areas as access, in-home, community-based and institutional which benefit older persons and their families; the establishment of better linkages between and among different service providers to assure improved coordination; and more efficient use of available resources through strengthened service planning management and procedures.

TITLE III - SUPPORTIVE SERVICES

	FY 1989	FY 1990 Appropriation	FY 1991 Estimate
Available after transfers	$289,970,574	$287,666,235	$287,666,024
Program Income:			
Title III-B	$23,100,000	$24,500,000	$26,000,000
Units of Service:			
Access			
Transportation	6,148,000	6,263,000	6,414,000
Outreach	1,631,000	1,662,000	1,702,000
Information and Referral	5,751,000	5,859,000	6,000,000
Other	1,858,000	1,893,000	1,939,000
In-home			
Homemaker	733,000	752,000	755,000
Home Health Aid	144,000	146,000	150,000
Visiting/Telephone Reassurance	973,000	990,000	1,000,000
Chore Maintenance	176,000	259,000	183,000
Other	307,000	313,000	320,000
Community Services			
Legal	493,000	503,000	515,000
Escort	154,000	157,000	161,000
Residential Repair/ Renovation	74,000	75,000	77,000
Health	1,038,000	1,057,000	1,083,000
Services in Care-Providing Facilities	484,000	493,000	505,000

Aging Nutrition Services

Authorizing Legislation - Section 303(b) of the Older Americans Act of 1965, as amended.

1991 Authorization: Congregate Meals - $480,125,000
Home-delivered Meals - $91,892,000

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
Congregate Meals	$351,925,000	$351,925,000	—
Home-delivered Meals	78,981,000	78,981,000	—
Total Nutrition Services	$430,906,000	$430,906,000	—

Purpose and Method of Operations - Federal funds for Nutrition Services are awarded to each State with an approved State plan on aging under Title III. Funds are distributed to the States according to the formula prescribed in the Older Americans Act. There is a 25 percent funding match requirement for administration; a 15 percent match for program activities.

Submission of an acceptable two-, three-, or four-year State plan describing the State's strategy for meeting the needs of the elderly population is required in order for the State to receive its formula grant monies. These funds may pay up to 85 percent of the costs of the nutrition services provided. State agencies on aging make awards to area agencies on aging. Awards made by States are based on State-approved plans and intra-State funding formulas. Area agencies make awards to local service providers for Congregate Nutrition Services and Home-delivered Nutrition Services.

A State may elect to transfer up to 30 percent of the funds appropriated among Supportive Services and Senior Centers and the Nutrition Services programs for use as the State considers appropriate.

Area agencies must give special emphasis to the provision of services to older persons with greatest economic and social need, with particular attention to low-income minority individuals. These agencies must also assure that appropriate outreach and counseling services are available to older persons with limited English-speaking ability.

Each meal served must: meet one-third of the minimum daily recommended dietary allowances; meet the particular health, religious, or ethnic dietary needs of the participants; and be served in appropriate food containers and with utensils for use by blind and handicapped individuals where feasible and appropriate. Congregate and Home-delivered nutrition services are to be available at least once per day, 5 days per week. The services provided may include nutrition education and outreach.

There are no fees in this program; however, older persons must be provided with an opportunity to make voluntary contributions to help defray the cost of the services. These contributions constitute an important resource for the expansion of services. Program income, including contributions from older persons, has increased from $69,100,000 in Fiscal Year 1981 to an expected $150,000,000 in Fiscal Year 1989.

Since 1982, numbers of meals have increased from 190.8 million to an estimated 251 million in 1989, serving approximately 3.5 million persons. In FY 1988, 39 percent, or 95 million meals, were home-delivered.

Funding levels the past five fiscal years have been as follows:

1986	$386,502,300
1987	$422,000,000
1988	$420,299,000
1989	$435,214,000
1990	$430,906,000

Rationale for the Budget Request - The FY 1991 request is $430,906,000, the same as appropriated for FY 1990. The FY 1991 request is to increase levels of services and numbers of meals served. During FY 1990, priorities related to strengthening the systems of family and community-based care will be addressed to assure that a community-based continuum of care becomes a reality. Nutrition services contribute significantly to the development of these community-based systems, providing services both in the home and at congregate sites. Throughout the year, on-going emphasis will be placed on targetting resources, including program income contributed by nutrition service recipients, on those in greatest need, particularly those who are in the greatest danger of losing their independence.

In FY 1991, AoA will continue to pursue policies and initiatives to maximize the services provided with available resources. Current initiatives are aimed at uniform implementation of processes throughout the aging services network, which focus on the increase of program income, improvement in accountability for such funds, and improvement in financial and program management of programs to increase the return on investment of Title III appropriations.

TITLE III - MEALS

	FY1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Available for Meals after evaluation set-aside and transfers	$386,304,230	$383,234,345	$383,234,345
Meals Supported	251,417,579	253,671,141	258,737,027
Congregate	(153,364,723)	(154,739,396)	(157,829,586)
Home-delivered	(98,052,856)	(98,931,745)	(100,907,440)
AoA Investment per Meal	$1.55	$1.54	$1.51
Projected Inflation	$5.6%	$4.6%	$4.3%
Expected AoA Investment per Meal before Management Improvements	$1.64	$1.62	$1.58
Improvement in Investment per Meal	.09	.08	.07
	5.5%	5.0%	4.4%
Program Income:			
Title III-C	$155,200,000	$156,200,000	$165,600,000
Per Meal	62¢	62¢	64¢
Change in Program Income:			
Title III-C	6%	6%	6%
Per Meal	4%	4%	3%
USDA Contribution	137,559,000	143,482,000	149,897,000

In-Home Services for Frail Older Individuals

Authorizing legislation - Section 303(d) of the Older Americans Act of 1965, as amended.

1991 Authorization: $28,941,000.

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
In-home Services for Frail Older Individuals	$5,756,000	$5,756,000	—

Purpose and Method of Operations: Federal funds appropriated under this program authorized in 1988 will be used to carry out a program for making grants to States to provide in-home services to frail older persons and families of such persons. In making funds available for in-home services at the sub-State level, each State agency shall develop eligibility criteria which take into account (1) age; (2) greatest economic need; (3) non-economic factors contributing to frailty; and, (4) non-economic and nonhealth factors contributing to the need for in-home services.

By supporting the provision of services to frail older persons in their own homes, this program will help vulnerable elderly avoid institutionalization, and increase their access to needed assistance.

Recent appropriations for this program have been:

1988	$4,787,000
1989	$4,826,000
1990	$5,756,000

Fiscal Year 1988 was the first year funds were made available for this program, which was authorized by the 1987 Amendments to the Older Americans Act.

Rationale for the Budget Request - The FY 1991 budget request is $5,756,000, the same as was appropriated for FY 1990. These funds will be used to assist frail older persons in maintaining their independence and self-sufficiency. By supporting the provision of services to frail older people in their homes, the requested funds will help the vulnerable elderly avoid institutionalization and increase their access to needed assistance.

Aging Grants to Indian Tribes and Native Hawaiian Programs

Authorizing Legislation - Section 633 of the Older Americans Act of 1965, as amended.

1991 Authorization: Title VI Part A $20,600,000 - Indian Tribes
Title VI Part B $ 1,505,000 - Native Hawaiians

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
Title VI Grants:			
VI-A, Indian Tribes	11,107,970	11,035,970	-$72,000
VI-B, Native Hawaiians	1,433,000	1,505,000	+72,000
Subtotal	12,540,970	12,540,970	—

Purpose and Method of Operation:

Under Title VI Part A, awards are made to tribal organizations, which represent at least 50 older Indians who are 60 years of age or older, to pay all of the costs to provide supportive services and nutrition services to older Indians. There are no funding match requirements.

Grantees provide a broad range of services and must assure that nutrition services and information and referral services are available. Legal and ombudsman services, if provided, are to be substantially in compliance with the requirements of Title III. Other services which may be provided under these grants include:

- services which facilitate access — such as transportation, road clearing, outreach, escort, individual needs assessment, and service management;
- services provided in local areas — such as continuing education, health and health screening, water purification, temporary shelter, day care protective services and recreation;
- services provided in the home — such as home health, homemaker services, chore, visiting and telephone reassurance, fule assistance; and
- services provided to residents of care-providing facilities, such as case management, counseling, and group services.

The tribal organization may use funds for the acquisition, alteration, lease or renovation of a facility to be used as a senior center, and for staffing the centers.

From 1980, the first year that the Title VI program was funded, until 1988 services have been provided to approximately 19,000 older Indians per year. Beginning in 1989, approximately 28,000 older Indians have been served annually.

Combined funding levels for both Title VI-A and VI-B during the past five Fiscal years have been as follows:

1986	$7,177,500
1987	$7,500,000
1988	$7,181,000
1989	$9,345,000
1990	$12,540,970

In addition to direct grants, The U.S. Department of Agriculture reimburses Title VI grantees 56.7 cents per meal served to older Indians.

Under Title VI Part B, awards are made to public or nonprofit private organizations, having the capacity to provide services for Native Hawaiians who have attained 60 years of age or older. The organization must serve at least 50 elderly Hawaiians and demonstrate the ability to deliver supportive services, including nutrition services.

Grantees must establish and maintain information and referral services and may provide any of the suppportive services specified under Title III of the Older Americans Act and any other supportive services that are necessary for the general welfare of older Hawaiian Natives. Other services which may be provided under these grants include but are not limited to:

- services which facilitate access — such as transportation, road clearing, outreach, escort, individual needs assessment, and service management;
- services provided in local areas — such as continuing education, health and health screening, water purification, temporary shelter, day care protective services and recreation;
- services provided in the home — such as home health, homemaker services, chore, visiting and telephone reassurance, fuel assistance; and
- services provided to residents of care-providing facilities, such as case management, counseling, and group services.

The grantee may use funds for the acquisition, alteration, lease or renovation of a facility to be used as a senior center, and for staffing the centers.

In addition to direct grants, The U.S. Department of Agriculture reimburses Title VI Part B grantees 56.7 cents per meal served to older Indians.

Rationale for the Budget Request - The FY 1991 request is $12,541,000, the same as the FY 1990 appropriation. The Part A request for Fiscal Year 1991 is $11,035,970, an increase of $325,970 above the Fiscal Year 1989 appropriation and $72,000 less than the Fiscal Year 1990 appropriation. The Part B request for Fiscal Year 1991 is $1,505,000, an increase of $140,000 above the Fiscal Year 1989 appropriation and $72,000 above the Fiscal Year 1990 appropriation. The reduction in what would have been level funding under Part A for Fiscal Years 1990 and 1991 is a result of the statutory requirements in Section 633(b)(2).

The program under Part A was first funded in Fiscal Year 1980, at a level of $6,000,000. The 85 tribes which submitted full application for 1980 were all funded, with the minimal base grant starting at $65,000 based on a population of 75 older Indians to be served. In Fiscal Year 1991 it is expected that 181 tribal organizations will be funded, with the minimual base grant at $50,000 based on a population to 50 to be served. The 181 tribes is an increase of 45 over the number of tribal organizations funded in Fiscal Year 1988.

These funds will be used to promote opportunities for older Indians to secure and maintain independence and self-sufficiency and to ensure, to the extent feasible, that services, opportunities, or other appropriate assistance are available to those older Indians in need. Grantees will be able to provide a broad range of services and must assure that nutrition services, and information and referral services are available.

The program under Part B was first funded in the fourth quarter of Fiscal Year 1989, at a level of $1,365,000. These funds will be used to promote opportunities for older Hawaiians to secure and maintain independence and self-sufficiency and to ensure, to the extent feasible, that services, opportunities, or other appropriate assistance are available to those older Hawaiians in need. Grantees will be able to provide a broad range of services and must assure that information and referral services are available.

Program data will not be available until FY 1991.

Aging Training, Research, and Discretionary Programs

Authorizing legislation - Sections 431 and 310 of the Older Americans Act of 1965, as amended.

1991 Authorization: $38,167,000

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$25,332,000	$25,332,000	—

Purpose and Method of Operations - The goals of the Training, Research, and Discretionary Program are to: expand the Nation's knowledge and understanding of aging and the aging process; to design and test innovative ideas in programs and services for older individuals; and to help meet the needs for trained personnel in the field of aging. These goals will be met through: (1) placing priority on the education and training of personnel to work with and on behalf of older individuals; (2) research and development of effective practices in the field of aging; (3) demonstration projects directly related to the field of aging; and (4) dissemination of information on aging and the aging process acquired through such programs to public and private organizations or programs for older individuals.

Grants may be made to any public or non-profit private agency, organization or institution. Contracts may also be made to fund these activities. Among those institutions funded are colleges, universities, State and area agencies on aging, organizations representing and/or serving older people, and other government and non-government institutions.

Research and Demonstration activities currently center on established priorities such as the development of innovative and non-traditional approaches to promoting social services, the promotion of public/private sector partnerships, health promotion activities, and the promotion of individual self-sufficiency.

An estimated 30,000 students were trained in academic aging programs and 241,000 State-and-area-agency, and service-provider personnel received in-service training in 1985.

Funding levels during the past five Fiscal Years have been as follows:

1986	$23,925,000
1987	$25,000,000
1988	$23,935,000
1989	$22,253,068[1]
1990	$25,332,000

1/ In FY 1989, $1,919,332 was re-programmed from Title IV to fund additional Title VI-A Indian grants and the new Title VI-B grants to Native Hawaiians.

Rationale for the Budget Request - The request for Fiscal Year 1991 for Older Americans Act discretionary activities is $25,332,000, the same as the 1990 appropriation.

There are two major components of this program:

- Education and Training: The aim of this effort is to increase the knowledge of the needs of aging among persons in professions and occupations which serve older persons.
- Research and Demonstrations: The aim of this effort is to develop information which is relevant to State and area agencies on aging and others serving the elderly as they develop comprehensive, coordinated systems of services for older persons.

The $25,332,000 requested in Fiscal Year 1991 will provide $8,200,000 for education and training activities. This will permit activities to be undertaken in gerontological career preparation, in-service training, knowledge transfer and utilization, long-term care, minority aging, health promotion, ombudsman, and elder abuse.

An amount of $3,400,000 would be available for research activities, collecting knowledge, especially in the areas of improvement in community systems for responding to the needs of the elderly, and the nature and causes of alcoholism among the elderly.

An amount of $6,450,000 will be available for demonstration model project activities, including new and continuation projects, with special emphases on systems building and promoting linkages between the Aging Network and other organizations.

An amount of $7,250,000 will be used for dissemination and knowledge transfer.

TITLE IV-TRAINING, RESEARCH, AND DISCRETIONARY PROJECTS AND PROGRAMS

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
Education and Training	$6,900,000	$8,200,000	+$1,300,000
New	(6,000,000)	(7,700,000)	(+1,700,000)
Continuations	(900,000)	(500,000)	(-400,000)
Research	3,032,000	3,432,000	+400,000
New	(1,832,000)	(1,932,000)	(+100,000)
Continuations	(1,200,000)	(1,500,000)	(+300,000)
Demonstrations	5,764,000	6,450,000	+686,000
New	(3,264,000)	(3,200,000)	(-64,000)
Continuations	(2,500,000)	(3,250,000)	(+750,000).
Dissemination and Knowledge Transfer	9,636,000	7,250,000	-2,386,000
New	(4,986,000)	(3,350,000)	(-1,636,000)
Continuations	(4,650,000)	(3,900,000)	(-750,000)
Total	25,332,000	25,332,000	—
New	(16,082,000)	(16,182,000)	(+100,000)
Continuations	(9,250,000)	(9,150,000)	(-100,000)

1991 White House Conference on Aging

Authorizing Legislation - Title II of the Older Americans Act Amendments of 1987 (PL 100-175)

1991 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
—	$1,000,000	+$1,000,000

Purpose and Method of Operations - Title II of the 1987 Older Americans Act Amendments (PL 100-175) authorizes the President to call a White House Conference on Aging in 1991 in order to develop recommendations for additional research and action in the field of aging. Following a decision by the President to call a Conference, the Secretary of Health and Human Services is charged under the law with overseeing pre-Conference planning, the conduct of the Conference, and follow-up activities, including preparation of the final Conference report.

The 1987 Older Americans Act Amendments specify a number of basic organizational and procedural requirements to which the Conference must adhere. The Secretary of Heath and Human Services is responsible for planning the Conference with the assistance of the Commissioner on Aging, the Director of the National Institute on Aging and other such officials of the Executive Branch as the Secretary deems appropriate. There is to be an advisory committee composed of representatives of the Federal Council on the Aging and other appropriate public and private, non-profit entities. The Secretary may establish other such committees, "including technical committees, as may be necessary to assist in planning, conducting and reviewing the Conference".

White House Conference committees will be composed of both professionals in the aging field and "public members". A majority of the public members of each committee will be 55 and older. Minority groups and low-income families will be represented on each of the Conference committees.

In addition, the Secretary is to assist State and area agencies on aging and "other appropriate organizations" in conducting their own conferences on aging in preparation for the White House Conference on Aging. One of these preliminary conferences is to focus on older Indians.

Further, the Secretary is responsible for issuing a proposed Conference agenda for public comment at least 180 days prior to the beginning of the Conference. The public comment period will be at least 60 days in

Developmental Disabilities Basic State Grants

Authorizing legislation - Section 130 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended.

1991 Authorization: Authorizing legislation expires September 30, 1990. Reauthorizing legislation will be submitted.

1990 Appropriation	1991 Estimate	Increase or Decrease
$61,939,000	$61,939,000	—

Purpose and Method of Operations - The emphasis of the Developmental Disabilities Basic State Grant program is on enabling persons with developmental disabilities to achieve their maximum potential through increased independence, productivity, and integration into the community.

Basic State Grants assist States in developing and implementing a comprehensive Statewide plan for meeting the needs of persons with developmental disabilities. In order to qualify for funds, States must submit a plan to the Administration on Developmental Disabilities and must establish a State Planning Council for purposes of planning and advocacy for the broad spectrum of disabilities meeting the definition of developmental disabilities. Fifty percent of the State Planning Council's membership must include representatives of major State agencies, nongovernmental agencies and other concerned groups. The other fifty percent must include persons with developmental disabilities, their guardians, and other relatives.

A basic goal of the program is the development of a comprehensive system that provides a coordinated and state-of-the-art array of services, which include specialized services and the adaptation of generic services and other assistance and opportunities that respond to the needs and capabilities of persons with developmental disabilities by means of:

- four Federal priority areas which include case management activities, child development activities, community living activities, and employment activities;
- a State priority area for activities considered essential by the State Planning Council;
- specialized services and other adaptations of generic services for persons with developmental disabilities; and

duration. The final agenda, which is to be published in the Federal Register and issued to the "chief executive officers of the States" no less than 30 days after the close of the public comment period, will take account of the comments offered in response to the preliminary agenda.

Within 60 days of the adjournment of the Conference, the Secretary shall publish a proposed Conference report and issue that report to the chief executive officers of the States. At the same time that the proposed report is published, the Secretary must release to the public the "findings and recommendations" contained in the report. The chief executive officers of the States are then given 180 days in which to offer comments on the proposed report to the Secretary. The Secretary is then responsible for preparing a the final Conference report, including a compilation of the views and recommendations of the chief executives of the States. The Secretary shall take these views and recommendations into account in preparing the report. Finally, within [illegible]0 days after receipt of the views and recommendations of the chief executives of the States, the Secretary shall "publish and transmit to the President and to Congress recommendations for administrative action and the legislation necessary to implement the recommendations contained within the report."

Rationale for the Budget Request - The Fiscal 1991 one-time budget request is $1,000,000. These funds will be used to support Conference planning and preparation, to pay the expenses of the Conference delegates and staff, and to enable the staff to develop the final Conference report and the required recommendations for legislative and administrative action. By supporting the 1991 White House Conference on Aging, the requested funds will help the Congress, the Executive Branch, the aging community and individual citizens of all ages to develop an aging-related policy agenda for the coming decade. These funds will remain available until expended.

- planning, coordination, administration, and advocacy for the provision of services to persons with developmental disabilities. This includes the Statewide plan which incorporates the special reviews and analyses of the extent, scope, and effectiveness of services provided by other State and local programs that potentially affect the ability of persons with developmental disabilities to achieve the goals of the Developmental Disabilities Act.

Grants are awarded to strengthen capacity building and other activities designed to enhance opportunities for persons with developmental disabilities. Developmental Disabilities Basic Support funds are allotted among the States on the basis of: population, the extent of need for services for persons with developmental disabilities, and the financial need of the respective States.

As provided in the Act, the minimum allotment to each State increased in Fiscal Year 1990 from $300,000 to $350,000 due to the appropriation exceeding $60,000,000. The minimum allotment increased from $160,000 to $200,000 for the Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the Trust Territory of the Pacific Islands.

Current legislation requires that grants are made to designated State agencies to implement an approved State plan in developing and improving services and improving the coordination of services for persons with developmental disabilities. The aggregate Federal share of projects under such grants may not exceed seventy-five percent except in the case of projects in urban or rural poverty areas, in which case the Federal share may not exceed ninety percent.

Sixty-five percent of the State grant must be used for priority area and mandate activities. The State plan must include employment activities. It may also include up to three other Federal priority areas (community living activities, child developmental activities, and case management activities) and a priority area defined by the State.

The funding level for the last five years for the Basic State Grant Program has been as follows:

1986	$51,103,800
1987	$56,500,000
1988	$58,401,000
1989	$59,774,000
1990	$61,939,000

Rationale for the Budget Request - The Fiscal Year 1991 budget request for Basic State Grants is $61,939,000, and the same as the appropriation for 1990.

These funds will provide payments to States to plan and conduct activities that increase the capacities and resources of agencies to develop, coordinate, or stimulate permanent improvement in systems of services for persons with developmental disabilities, with priority to those persons whose needs are not otherwise met under other health, education and human service programs.

Fiscal Year 1991 funds are requested to continue administration, planning, coordination, and services for Developmental Disabilities State program operations. These activities will allow States to continue to develop programs which help developmentally disabled persons achieve a greater degree of independence, productivity and integration into the community.

The Developmental Disabilities Program will continue to focus on building a comprehensive network of services for developmentally disabled persons by working with States to ensure that these persons will have the fullest opportunity to participate in all aspects of our society. Fiscal Year 1991 funds will also continue to support State activities focusing on policy analyses and reviewing and taking action on Intermediate Care Facility for the Mentally Retarded (ICF/MR) survey reports compiled under the Social Security Act.

Developmental Disabilities Protection and Advocacy Grants

Authorizing legislation - Section 143 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended.

1991 Authorization: Authorizing legislation expires on September 30, 1990. Reauthorizing legislation will be proposed.

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$20,484,000	$20,484,000	---

Purpose and Method of Operations - The Protection and Advocacy Program is a State operated system to protect and advocate for the rights of persons with developmental disabilities.

The Administration on Developmental Disabilities provides grants to States to establish Protection and Advocacy Systems to protect the legal and human rights of persons with developmental disabilities who are receiving treatment, services, or habilitation within the State. Grants are awarded based on a formula that takes into account the population, the extent of need for services for persons with developmental disabilities, and the financial need of the State. The protection and advocacy system provides the authority to pursue legal, administrative, and other appropriate remedies or approaches, including the authority to investigate incidents of abuse and neglect and access client records. The grantee must be independent from any agency which provides such services.

As provided in the Act, the minimum allotment to each State increased in Fiscal Year 1990 from $185,250 to $200,000 due to the appropriation exceeding $20,000,000. The minimum allotment increased from $98,800 to $107,000 for the Virgin Islands, American Samoa, the commonwealth of the Northern Mariana Islands, Guam, and the Trust Territory of the Pacific Islands.

The funding level for the last five years for the Protection and Advocacy Grant Program has been as follows:

1986	$13,972,200
1987	$15,500,000
1988	$19,148,000
1989	$19,760,000
1990	$20,484,000

These Protection and Advocacy Systems have been successful in negotiating ninety percent of their cases without litigation. These cases represent children with developmental disabilities with problems in special education, child abuse and guardianship issues, abuse and neglect in institutions, access to community services, income benefits, transportation, housing, employment discrimination and accessibility to public structures. In addition to these specific areas of advocacy, many people with disabilities benefited from systemic actions initiated by the P&A Systems, and many were assisted by receiving information and referral services.

The Protection and Advocacy systems have consistently been involved in activities to promote the independence, productivity, and integration of persons with developmental disabilities at the State, local, and National levels. The success of Protection and Advocacy agencies is evidenced by systemic changes in education, employment, transportation, vocational rehabilitation, medical services, abuse and neglect, housing, architectural barriers, and guardianship on behalf of persons with developmental disabilities. The Protection and Advocacy agencies will be able to continue providing services which include referral, counseling, negotiation, administrative hearings, and training of parents, providers and handicapped persons. The Developmental Disabilities program, through the increased integration of the efforts of the Protection and Advocacy system with the Basic Support, Projects of National Significance, and University Affiliated Programs, has resulted in: reduced incidence, prevalence, and disabling effects of developmental disabilities; increased availability of appropriate community-based living arrangements for developmentally disabled persons; and, the promotion of personal and economic self-sufficiency of developmentally disabled adults through the expansion of employment opportunities.

Rationale for the Budget Request - The budget request for Fiscal Year 1991 for the Protection and Advocacy Program is $20,484,000, the same as appropriation for 1990.

This level of funding will allow the Protection and Advocacy system to continue efforts in support of Developmental Disabilities Program goals. These efforts include: outreach to individuals who fall outside normal communication channels such as minorities, persons with language barriers, and those who are culturally or geographically isolated; services to institutionalized persons; and training of concerned citizens, developmentally disabled persons, and other advocacy and community groups to increase State advocacy resources.

The Protection and Advocacy Systems will continue to provide such services as outreach, hotlines, information and referral, counseling and legal services, advocacy activities (individual, systems, and legislative) and training to service providers on the rights of persons with developmental disabilities.

Program Data:

	FY 1989 Appropriation	FY 1990 Appropriation	FY 1991 Estimate
Number of Awards made	60	60	60
Number of Financial Status Reports Reviewed	400	400	400
Answers to Policy Questions	150	150	150
Program Administrative Reviews, On-site Visists	5	5	5
Number of Program Performance Reports Reviewed	56	56	56

Developmental Disabilities Projects of National Significance

Authorizing legislation - Section 163 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended.

1991 Authorization: Authorizing legislation expires on September 30, 1990. Reauthorizing legislation will be proposed.

1990 Estimate	1991 Estimate	Increase or Decrease
$2,862,000	$2,862,000	---

Purpose and Method of Operations - Projects of National Significance grants and contracts provide nationwide impact by developing new technologies and applying and demonstrating innovative methods to support the independence, productivity, and integration into the community of persons with developmental disabilities. Projects of National Significance grants have been awarded for demonstration, research, and evaluation projects which resulted in expanded or otherwise improved services to persons with developmental disabilities across the nation.

Funding levels for Projects of National Significance for the last five years have been as follows:

1986	$2,679,600
1987	$2,500,000
1988	$2,872,000
1989	$2,901,000
1990	$2,862,000

Rationale for the Budget Request - For Projects of National Significance in Fiscal Year 1991, $2,862,000 is requested, the same level as the 1990 appropriation. This request will continue support for projects designed to increase the independence, productivity, and integration into the community of persons with developmental disabilities. Areas addressed will include: on-going data collection, family support, technical assistance to improve the advocacy, planning, and training functions of the developmental disabilities network, and pursuance of Federal interagency initiatives including employment, pediatric AIDS, and early intervention.

The following table shows the mix of new projects and continuations and funding for Projects of National Significance.

Program Data

(amounts in dollars)

	1989 Actual	1990 Appropriation	1991 Estimate
New Projects	$1,968,202	$1,462,000	$1,962,000
Continuation Projects	932,798	1,400,000	900,000
Total Projects of National Significance	$2,901,000	$2,862,000	$2,862,000
Number of New Grant Applications Reviewed	76	90	100
New Grant Awards			
New	7	14	17
Deferred	10	1	0
Continuation/ Supplement	10	12	10
Total	27	27	27

Developmental Disabilities University Affiliated Programs

Authorizing legislation - Section 154 of the Developmental Disabilities Assistance and Bill of Rights Act, as amended.

1991 Authorization: Authorizing legislation expires on September 30, 1990. Reauthorizing legislation will be proposed.

1990 Appropriation	1991 Estimate	Increase or Decrease
$13,192,000	$13,192,000	---

Purpose and Method of Operations - The University Affiliated Program effort provides operational and administrative support for a national network of University Affiliated Programs and Satellite Centers. Grants are made annually to University Affiliated Programs and Satellite Centers for interdisciplinary training, exemplary services, technical assistance, and information dissemination activities. In addition, starting in Fiscal Year 1988, authority was given to make training grants, as a supplement to the University Affiliated Program core funding, in the mandatory areas of early intervention, services to the elderly, and training direct-care workers. There are currently 47 University Affiliated Programs, including three Satellite Centers funded by the Administration on Developmental Disabilities. University Affiliated Programs have been so beneficial to the developmental disability communities in States served by Programs that in Fiscal Year 1988, to meet the needs of States not currently served by a Program, one Satellite Center and three new University Affiliated Programs were initiated. Further, in Fiscal Year 1988 two feasibility studies were funded to explore the potential for other new programs in unserved States. In Fiscal Year 1989, two new University Affiliated Programs were initiated.

An increasing number of individuals with developmental disabilities and their families receive services each year from the University Affiliated Programs and Satellite Centers. From Fiscal Years 1984 to 1986, the average annual increase was 30 percent, and in Fiscal Year 1986, the number served reached almost 73,000. These services range from initial diagnosis and evaluation to community-based services such as living arrangements and vocational training. Over 250,000 professionals, para-professionals, parents, and volunteers receive interdisciplinary training each year at University Affiliated Programs and Satellite Centers. The University Affiliated Programs and Satellite Centers are the primary providers of interdisciplinary training and information for the professionals, para-professionals, parents, and volunteers providing care, treatment, and services. The University Affiliated Programs and Satellite Centers are integral components of the service network for meeting the service needs of individuals with developmental disabilities.

Funding levels for University Affiliated Programs for the last five years have been as follows:

1986	$ 9,187,000
1987	$ 9,187,000
1988	$12,446,000
1989	$12,570,000
1990	$13,192,000

Rationale for the Budget Request - For the University Affiliated Programs, $13,192,000 is requested for Fiscal Year 1991, the same as the 1990 appropriation. These funds are requested to provide funding for University Affiliated Programs for administrative core functions and to continue supplemental funding in the legislatively mandated areas of early intervention, services to the elderly, and training direct-care workers to build needed services and training programs within specific States and regions. University Affiliated Program grants will be made to assist University Affiliated Programs and Satellite Centers in administering and providing services to individuals with developmental disabilities and for interdisciplinary training programs for the personnel needed to provide specialized and generic services to these individuals.

ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

UNIVERSITY AFFILIATED PROGRAMS

FISCAL YEAR 1989 FUNDING

GRANTEE	AMOUNT
UNIVERSITY AFFILIATED PROGRAMS	
University of Alabama	$ 334,580*
University of California at Los Angeles	200,000
Children's Hospital of Los Angeles	291,000*
University of Colorado	200,000
Georgetown University	290,000*
University of Miami	291,000*
University of Georgia	288,569
Indiana University	291,000*
University of Iowa	277,808*
University of Kansas	429,941*
University of Kentucky	291,000*
Louisiana State University	200,000
John F. Kennedy Institute (Hopkins)	487,388*
Children's Hospital (Boston)	200,000
Eunice Kennedy Shriver Center	293,999*
Wayne State University	291,000*
University of Minnesota	291,000*
University Affiliated Program of Mississippi	290,000*
University of Missouri at Kansas City	291,000*
University of Nebraska	291,000*
Rutgers Medical School	291,000*
Rose F. Kennedy Center (Einstein)	291,000*
Mental Retardation Institute	200,000
University of North Carolina	291,000*
University of Cincinnati	200,000
Ohio State University	200,000
University of Oregon (Eugene)	290,000*
University of Oregon (Portland)	290,000*
Temple University	290,000*
UAP Program of South Carolina	291,000*

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*Awards include training grants.

Page 2 - Fiscal Year 1989 University Affiliated Program Funding

GRANTEE	AMOUNT
University of South Dakota	200,000
University of Tennessee	291,000*
Utah State University	391,000*
University of Washington	342,467*
West Virginia University	291,000*
University of Wisconsin	279,407*
Virginia Commonwealth University	291,000*
University of Rochester	291,000*
University of Vermont	200,000
University of Hawaii	200,000
University of Illinois	200,000
University of Arkansas	200,000
University of Texas	150,000
University of New Hampshire	150,000
Subtotal for UAPS	$11,931,159
SATELLITE CENTERS	
University of Connecticut	241,201*
University of Montana	241,000*
University of Idaho	150,000
Subtotal, Satellite Centers	$ 632,201
SUBTOTAL (ALL AWARDS)	$12,563,360
ADMINISTRATIVE	6,640
TOTAL	$12,570,000

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*Awards include training grants.

Native American Programs

Authorizing legislation - Section 816 of the Native American Programs Act of 1974, as amended

1990 Authorization: Such sums as may be necessary

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$31,711,000	$31,711,000	---

Purpose and Method of Operations - Native American Programs include financial assistance grants, training and technical assistance, research, demonstration and evaluation and a demonstration revolving loan fund for Native Hawaiians. Assistance is provided through direct grants, contracts and interagency agreements. These funds will support projects that are expected to result in sustained improvements in the social and economic conditions of Native Americans within their communities, and at the same time, to increase the effectiveness of Indian tribes and Native American organizations to achieve their own economic and social goals.

Funding is based on the competitive selection of applications submitted by Native American communities and organizations. Panels of outside individuals review and rate all applications according to published criteria and seek to identify those proposals most likely to produce permanent, beneficial change for Native American communities. Applicants must state specific, measurable goals based on the developmental needs of the community. After funding, grantees must report what they have accomplished based on the goals they set. Anticipated results include improved organizational effectiveness, new linkages with the private sector economy, and improved coordination of Federal and non-Federal resources to meet human needs in a developing economy.

Tribes and organizations are finding that Social and Economic Development Strategies (SEDS) provide the means through which lasting change may take place. This policy has benefited all of the groups the Administration for Native Americans serve. It has met with success in Indian tribes, Alaskan villages, Hawaiian communities and urban and rural organizations. Given determination and motivation on the part of the community, SEDS strategies have worked regardless of the local resources which are available, the level of political development of the community, or the social and economic needs of local people.

Examples of success stories involving Native American grantees include:

Turtle Mountain Band of Chippewa Indians: The Turtle Mountain Band of Chippewa Indians has entered into a tribal joint venture with UniBase Data Entry, Inc. of Salt Lake City, Utah. The newly formed data entry/data processing business is UniBand, Inc., owned 51% by the Tribe and 49% by UniBase. UniBand is located in a 6,000 square foot facility in the Tribal Industrial Park. The initial working capital, management and contract experience, as well as all training has been provided by UniBase. The new firm expects to gain data processing business from local businesses as well as State and local government. They currently have a contract with Federal Express and the Indian Health Service, and have already developed an excellant reputation for quality control on their services.

Assiniboine-Gros Ventre Tribe of the Fort Belknap Reservation and Chippewa-Cree Tribe of the Rocky Boy's Reservation: A new manufacturing company has been formed from a joint venture between the Fort Belknap Indian community, the Chippewa Cree Tribal Business Committee, and Meissner Tractors, Inc. The new company, Big Bud Manufacturing Co., located in Havre, Montana has purchased the manufacturing plant, land, machines, tools, equipment, jigs and fixtures for its manufacturing processes. Big Bud Manufacturing will build new Big Bud tractors, security window grilles, garbage containers, and other commercial products. Employment for the first year is 40, however the company intends to expand into Defense contracting through its minority ownership and proposed 8 (a) certification. The company anticipates manufacturing heavy equipment under exacting DOD specifications. Ultimately, 200 to 300 people will be employed. ANA played the key role of the Federal agencies involved in this project by leveraging $500,000 from the Bureau of Indian Affairs and $500,000 from the Department of Housing and Urban Development.

Lincoln Indian Center, Inc.: ANA has provided modest grant funds to the Indian Center, Inc. of Lincoln, Nebraska to set up an Indian Center Housing Corporation. In turn, this Corporation was successful in securing a $918,000 Department of Housing and Urban Development 202 Direct Loan to build a 27 unit complex for elderly and disabled individuals of low income. Occupancy, upon completion of the construction of this complex, is anticipated in October, 1989. The Center is also purchasing and rehabilitating seven duplexes and single-family houses which will be rented to low-income families. The Center has leveraged its highly successful working relationship with the city, Federal government, investment banking firms, and the Center for Community Change to be able to acheive these accomplishments and to plan an expansion of much needed housing over the next five or more years. Future project directions include the purchase of land, starting a for-profit business and 40 additional units of low-income housing.

Funding levels over the last five years for Native American Programs have been as follows:

1985	$29,000,000
1986	27,742,000
1987	28,989,000
1988	29,679,000
1989	29,975,000
1990	31,711,000

Rationale for the Budget Request - The Fiscal Year 1991 agency request for Native American Programs is $31,711,000, the same as the Fiscal Year 1990 amount available. The request includes funds for Financial Assistance Grants; Training and Technical Assistance; and Research, Demonstration and Evaluation. These funds will support projects that are expected to result in sustained improvement in the social and economic conditions of Native Americans within their communities and, at the same time, to increase the effectiveness of Indian tribes and Native American organizations to achieve their own economic and social goals.

Native Americans Programs promote self-sufficiency of American Indians, Alaska Natives, and Native Hawaiians by encouraging local strategies in economic and social development. The Administration for Native Americans defines self-sufficiency as the level of development at which a Native American community can control and internally generate resources to provide for the needs of its members and meet its own short and long range social and economic goals. Social and economic underdevelopment is the paramount obstacle to the self-sufficiency of Native American communities and families. Social and economic underdevelopment contributes to high unemployment and school dropout rates, poor health and other problems which affect Native Americans to a greater degree than almost any other population group. Underdevelopment, and the resulting lack of a strong diversified economic base has made Native American communities especially dependent on Federally-designed, Federally-funded and Federally-operated programs.

In November 1987, the Congress amended the Native American Programs Act to authorize the award of social and economic development grants to public and nonprofit private agencies serving native peoples of American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The availability of these grants under Section 803(a) was conditional, however, upon a budgetary appropriation which equaled or exceeded 105 percent of the amount of program funds appropriated for FY 1987. This condition has been met with ANA's FY 1990 program appropriation, making up to $500,000 available in grants to these Native American Pacific Islanders.

These population groups have cultural, social, and economic development needs similar to other Native American populations served by ANA. Although each of them has unique and special problems which require efforts to assist them in developing self-sufficient communities, they also share commonalities of relatively young populations, lack of education and job skills, high levels of unemployment, health problems, and other social and economic problems associated with poverty. As ANA has done with American Indian, Alaskan Native, and Native Hawaiian population, ANA will plan and utilize its resources to most effectively assist Pacific Islander communities to address their most pressing social and economic development needs in order to strengthen their self-sufficiency.

NATIVE AMERICAN PROGRAMS
(dollars in thousands)

		FY 1989 Actual		FY 1990 Appropriation		FY 1991 Request	
		No.	Amount	No.	Amount	No.	Amount
I.	Federally Recognized Native Americans						
	A. Tribes	109	$13,071	111	13,382	115	13,825
	B. Alaska	30	2,459	31	2,517	32	2,600
	C. Consortia	6	1,018	6	1,042	6	1,076
II.	Non-Federally Recognized Native Americans						
	A. Tribes	17	1,418	17	1,452	18	1,500
	B. Urban	24	2,391	25	2,448	26	2,529
	C. Rural	5	593	5	607	5	627
	D. Consortia	4	825	4	845	4	873
III.	Native Hawaiians	4	466	7	1,000	7	1,033
IV.	Native American Pacific Islanders	0	0	4	500	4	500
V.	Projects of National/Special Significance	28	4,691	29	4,802	30	4,961
VI.	Discretionary Activities	18	2,055	18	2,116	19	2,187
VII.	Demonstration Revolving Loan Fund	1	988	1	1,000	0	0
	TOTAL	246	$29,975	258	$31,711	266	$31,711

Social Services Research

Authorizing legislation: Section 1110 of the Social Security Act.

1991 Authorization: Such sums as may be necessary

1990 Appropriation	1991 Estimate	Increase or Decrease
$3,475,000	$3,475,000	—

Purpose and Method of Operation - The Social Services Research funds are used to support Departmental initiatives; fund projects in areas of emerging national significance; focus on cross-cutting topics; and assist the Department, States, Indian Tribes, communities, and public and private agencies manage and deliver services effectively.

Section 1110 of the Social Security Act is a general authority under which grants are made to accomplish these cross-cutting activities.

Rationale for the Budget Request - For Fiscal Year 1991, $3,475,000 is requested for Social Services Research, under section 1110 of the Social Security Act. The request is the same as the 1990 appropriation. These funds will support research, demonstration, evaluation and dissemination activities. The Program Administrations within the Office of Human Development Services, although different from one another in the specific populations they serve and the varied programs which they administer, share a common mission: to reduce dependency and increase self-sufficiency among our most vulnerable citizens.

These funds will support projects of emerging national significance such as those that deal with the collaboration between health and social service delivery systems for children with pediatric aids. In addition, these funds will support cross-cutting projects such as those for training family caregivers, and planning for the life-long services needs of individuals with disabilities and the elderly.

Program Direction

	FY 1990 Appropriation	1991 Estimate	Increase or Decrease
Amount	$68,313,000	$71,149,000	+$2,836,000
FTE	1,000	1,000	---

Purpose and Method of Operation - Salaries and related expenses necessary to provide administrative support for all Human Development Services programs are included in the Program Direction account. Allocations for compensations and benefits, travel, supplies, equipment, and other costs are made by the Office of Management Services to all staff and regional offices within the Office of Human Development Services.

Rationale for the Budget Request - The 1991 budget request of $71,149,000 is a net increase of $2,836,000 over the Fiscal Year 1990 appropriation. The Office of Human Development Services will continue to emphasize targeting resources in various operational and functional activities to improve the overall management of those programs for which it has stewardship responsibilities. This request will:

- Support 1,000 full-time equivalent positions and related expenses. This is the same as the revised 1990 full-time equivalent ceiling.
- Provide standard operating expenses including built-in increases for annualization of the 1990 pay raise, within-grade increases and rent charges.
- Implement effective monitoring strategies utilizing a major portion of available travel and staff resources.
- Continue to provide data processing, word processing and management systems for the Office of Human Development Services.
- Provide $185,000 to support the Federal Council on Aging, the same level as in 1990. The Council advises and assists the President on matters relating to the special needs of older Americans and also reviews and evaluates Federal policies regarding the aging.

SUMMARY OF CHANGES

1990 Appropriation	$68,313,000
1991 Request	71,149,000
Net Change	+2,836,000

Increases:	1990 Current Estimate Base	Change
A. Built-in:		
1. Annualization of January, 1990 pay raise and related costs	$1,320,000	+440,000
2. Provide for January, 1991 pay raise at 3.5% and related costs	1,339,000	+669,000
3. Additional January, 1991 pay raise at 22% for SES positions and related costs	128,000	+64,000
4. Increase in average salary and related costs	42,202,000	+633,000
5. Increased costs for addtional non-FTE positions for management interns and stay-in-school programs	177,000	+118,000
6. Increase in merit pay consistent with OPM guidelines for PMRS and EPMS positions	511,000	+210,000
7. Increased costs associated with the Federal employees health benefits and FERS	5,815,000	+277,000
8. Additional funds needed for travel to cover more program monitoring	927,000	+73,000
9. Increase in centralized administrative services and financing through the Working Capital Fund	4,737,000	+57,000
10. Increased costs related to postage, teleco		

	1990 Current Estimate Base	Change
Increases:		
11. Increased cost of supplies and equipment based on GSA rates and enhancements in data processing..........	1,410,000	+162,000
Subtotal.................		+3,186,000
Decreases:		
Built-in:		
1. Decrease in other services for one-time cost of contract for Foster Care data collection..............................	2,373,000	-350,000
Net Increase		+2,836,000

ADVISORY AND ASSISTANCE SERVICES

Advisory and Assistance Services apply to those services acquired from non-governmental sources by contract or by personnel appointment to support or improve agency policy development, and decision-making; management and administration; or to support or improve the operation of management systems. Such services may take the form of information, advice, opinions, alternatives, conclusions, recommendations, training, and direct assistance. Advisory and assistance services include consultant services provided by individuals, as defined in the Federal Personnel Manual, Chapter 304.

The Office of Human Development Services has justifiable needs for Advisory and Assistance Services as a result of the unique combination of technical qualifications, experience, and knowledge that these services provide that are not available in OHDS for the accomplishment of specific HDS goals and objectives.

Individual experts and consultants are mainly related to data processing systems analysis, programming support, and technical and facility support of the OHDS computer system.

The increases reflected in prior years are for studies, analyses, and evaluations related to statutory requirements for programs such as Child Abuse, Developmental Disabilities, the Drug programs, Foster Care, and Comprehensive Child Development.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Office of Human Development Services
(In Thousands of Dollars)

Human Development Services
7501636-Summary

			1989	1990	1991
I.	Contractual Services				
	Individual Experts and Consultants	B.A.	1,025	1,711	1,711
		Oblig.	1,025	1,711	1,711
		Outlays	923	1,540	1,540
	Studies, Analyses and Evaluations	B.A.	4,986	8,523	8,559
		Oblig.	4,986	8,523	8,559
		Outlays	1,994	3,409	3,424
	Management and Professional Sup. Serv.	B.A.	4,949	6,384	6,384
		Oblig.	4,949	6,384	6,384
		Outlays	1,980	2,554	2,554
	Engineering and Technical Services	B.A.	0	0	0
		Oblig.	0	0	0
		Outlays	0	0	0
	Subtotal	B.A.	10,960	16,618	16,654
		Oblig.	10,960	16,618	16,654
		Outlays	4,897	7,503	7,517
II.	Personnel Appointments	B.A.	67	91	91
		Oblig.	67	91	91
		Outlays	67	91	91
III.	Advisory Committees	B.A.	51	51	51
		Oblig.	51	51	51
		Outlays	51	51	51
	Total	B.A.	11,078	16,760	16,796
		Oblig.	11,078	16,760	16,796
		Outlays	5,015	7,645	7,659

Detail of Permanent Positions

	1989 Actual	1990 Estimate	1991 Estimate
Executive Level IV...	1	1	1
Subtotal....	1	1	1
ES-5..................	1	1	1
ES-4..................	2	2	2
ES-3..................	5	5	5
ES-2.................	1	1	1
ES-1..................	1	1	1
Subtotal....	10	10	10
GS-18.................	1	1	1
GS/GM-15..............	69	59	59
GS/GM-14..............	135	110	100
GS/GM-13..............	320	300	270
GS-12.................	199	189	176
GS-11.................	51	54	49
GS-10.................	3	2	2
GS-9..................	36	56	56
GS-8..................	18	19	25
GS-7..................	61	76	104
GS-6..................	34	49	59
GS-5..................	34	46	56
GS-4..................	11	13	15
GS-3..................	5	14	16
GS-2..................	1	1	1
Subtotal....	978	989	989
Total permanent positions........	989	1000	1000
Unfilled positions, end-of-year......	—	0	0
Total permanent employment, end-of-year......	989	1000	1000

STATE TABLES

Head Start

State	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Total	$1,203,173,000	$1,351,715,000	$1,849,715,000
Alabama	$ 24,367,341	$ 26,963,000	$ 34,763,000
Alaska	2,462,468	2,598,000	3,308,000
Arizona	10,675,054	12,047,000	16,809,000
Arkansas	12,602,574	14,243,000	18,747,000
California	116,512,724	133,792,000	179,421,000
Colorado	10,935,916	12,261,000	15,786,000
Connecticut	11,242,873	12,221,000	15,794,000
Delaware	2,604,964	2,779,000	3,635,000
Dist. of Columbia	6,760,716	7,189,000	8,680,000
Florida	33,763,166	39,467,000	53,772,000
Georgia	28,508,975	32,735,000	43,736,000
Hawaii	4,474,706	4,931,000	6,455,000
Idaho	3,450,059	3,904,000	5,398,000
Illinois	60,097,422	66,936,000	86,990,000
Indiana	16,917,048	19,360,000	26,165,000
Iowa	9,045,023	10,274,000	13,905,000
Kansas	7,547,822	8,580,000	11,412,000
Kentucky	23,029,654	25,008,000	32,297,000
Louisiana	25,557,033	30,215,000	40,896,000
Maine	4,997,516	5,593,000	7,303,000
Maryland	15,805,696	17,633,000	22,957,000
Massachusetts	25,853,878	27,936,000	35,078,000
Michigan	49,408,821	54,413,000	70,984,000
Minnesota	13,059,273	14,554,000	19,599,000
Mississippi	53,869,871	54,230,000	61,608,000
Missouri	20,752,745	23,458,000	30,590,000
Montana	3,058,099	3,450,000	4,754,000
Nebraska	4,894,321	5,579,000	7,460,000
Nevada	1,726,363	2,039,000	2,806,000
New Hampshire	2,233,541	2,443,000	3,157,000
New Jersey	35,017,705	37,594,000	47,936,000
New Mexico	7,153,581	8,308,000	11,315,000
New York	89,538,061	100,030,000	133,336,000
North Carolina	25,207,094	28,301,000	37,053,000
North Dakota	1,808,176	2,102,000	3,029,000

State	FY 1989 Actual	FY 1990 Appropriation	FY 1991 Estimate
Ohio	49,467,581	55,873,000	73,679,000
Oklahoma	14,550,547	16,018,000	20,630,000
Oregon	9,639,655	10,834,000	14,311,000
Pennsylvania	50,464,636	55,603,000	71,743,000
Puerto Rico	50,162,710	59,337,000	80,486,000
Rhode Island	3,848,890	4,291,000	5,550,000
South Carolina	15,685,225	17,795,000	23,651,000
South Dakota	2,820,533	3,230,000	4,603,000
Tennessee	21,411,452	24,679,000	32,826,000
Texas	55,849,914	66,808,000	91,916,000
Utah	5,291,586	6,087,000	8,539,000
Vermont	2,444,359	2,548,000	3,281,000
Virginia	17,200,718	19,501,000	26,191,000
Washington	13,953,799	16,233,000	22,401,000
West Virginia	10,259,202	11,623,000	15,155,000
Wisconsin	18,074,362	20,237,000	27,029,000
Wyoming	1,623,838	1,698,000	2,169,000
Outer Pacific	1,885,701	1,620,000	2,204,000
Virgin Islands	2,487,749	2,791,000	3,797,000
Indian & Migrant Programs	88,081,452	99,078,000	112,620,000
Unallocated Funds/ Special Projects	3,028,812	2,653,000	90,000,000*

* These funds are planned to be allocated among the States in a manner which will encourage States to supplement the Federal funding being spent on Head Start. A system will be developed to distribute the monies which will allocate a greater proportionate increase to those States willing to contribute State funding to the Head Start program in their State. This $90,000,000 in funds is all discretionary in that no State is required to receive any part of it. All States have been given their minimum funding amounts, as required by the Statutory allotment formula. These amounts are shown in the FY 1991 column above.

Child Development Associate Scholarship Assistance State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Total	$1,450,000	$1,431,000	$1,431,000
Alabama	24,200	24,200	24,200
Alaska	3,425	3,425	3,425
American Samoa	-0-	1,430	1,430
Arizona	18,500	18,500	18,500
Arkansas	14,275	14,275	14,275
California	127,764	124,614	124,614
Colorado	20,672	20,672	20,672
Connecticut	19,100	19,100	19,100
Delaware	4,125	4,125	4,125
District of Columbia	4,375	4,375	4,375
Federal States of Micronesia	-0-	1,430	1,430
Florida	65,962	64,462	64,462
Georgia	35,200	34,200	34,200
Guam	1,430	1,430	1,430
Hawaii	6,651	6,651	6,651
Idaho	6,530	6,530	6,530
Illinois	69,200	67,700	67,700
Indiana	33,142	32,142	32,142
Iowa	17,636	17,636	17,636
Kansas	14,807	14,807	14,807
Kentucky	22,507	22,507	22,507
Louisiana	26,935	26,935	26,935
Maine	7,351	7,351	7,351
Marshall Islands	-0-	1,430	1,430
Maryland	26,258	26,258	26,258
Massachusetts	34,940	33,940	33,940
Michigan	54,575	53,075	53,075
Minnesota	26,630	26,630	26,630
Mississippi	17,197	17,197	17,197
Missouri	30,206	29,206	29,206

Child Development Associate Scholarship Assistance State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Montana	5,362	5,362	5,362
Nebraska	10,048	10,048	10,048
Nevada	5,884	5,884	5,884
New Hampshire	6,279	6,279	6,279
New Jersey	45,231	43,731	43,731
New Mexico	8,958	8,958	8,958
New York	114,670	111,670	111,670
North Carolina	37,139	36,139	36,139
North Dakota	4,575	4,575	4,575
Northern Mariana	-0-	1,430	1,430
Ohio	64,622	63,122	63,122
Oklahoma	21,430	21,430	21,430
Oregon	17,652	17,652	17,652
Pennsylvania	71,507	70,007	70,007
Puerto Rico	19,800	19,800	19,800
Republic of Paulau	-0-	1,430	1,430
Rhode Island	6,190	6,190	6,190
South Carolina	20,000	20,000	20,000
South Dakota	4,675	4,675	4,675
Tennessee	28,500	27,500	27,500
Texas	104,211	101,211	101,211
Utah	10,325	10,325	10,325
Vermont	3,625	3,625	3,625
Virgin Islands	1,430	1,430	1,430
Virginia	33,969	32,969	32,969
Washington	26,300	26,300	26,300
West Virginia	11,700	11,700	11,700
Wisconsin	28,800	27,800	27,800
Wyoming	3,525	3,525	3,525

Child Abuse and Neglect
State Allocations

State	1989 Actual	1990 Estimate 1/	1991 Estimate 1/
Total	$11,647,500	$11,523,000	$11,523,000
Alabama	244,324	198,919	198,919
Alaska	21,055	72,305	72,305
Arizona	209,878	177,150	177,150
Arkansas	162,733	136,680	136,680
California	-0-	1,050,899	1,050,899
Colorado	201,875	166,064	166,064
Connecticut	181,696	151,506	151,506
Delaware	78,183	72,171	72,171
Dist. of Columbia	73,660	68,431	68,431
Florida	520,414	423,301	423,301
Georgia	352,012	287,202	287,202
Hawaii	74,687	88,332	88,332
Idaho	103,235	90,602	90,602
Illinois	577,999	451,081	451,081
Indiana	66,749	245,132	245,132
Iowa	177,346	145,362	145,362
Kansas	163,080	137,215	137,215
Kentucky	223,273	181,022	181,022
Louisiana	217,478	223,094	223,094
Maine	102,713	90,602	90,602
Maryland	224,400	203,193	203,193
Massachusetts	282,423	227,902	227,902
Michigan	477,966	377,623	377,623
Minnesota	54,111	199,587	199,587
Mississippi	187,610	154,177	154,177
Missouri	277,726	225,231	225,231
Montana	88,970	79,516	79,516
Nebraska	123,763	106,496	106,496
Nevada	94,014	85,527	85,527
New Hampshire	96,276	86,729	86,729

Child Abuse and Neglect
State Allocations

State	1989 Actual	1990 Estimate 1/	1991 Estimate 1/
New Jersey	368,539	294,549	294,549
New Mexico	127,591	109,969	109,969
New York	808,682	631,788	631,788
North Carolina	333,049	268,504	268,504
North Dakota	82,532	83,390	83,390
Ohio	543,378	427,040	427,040
Oklahoma	205,355	167,800	167,800
Oregon	169,343	141,622	141,622
Pennsylvania	-0-	430,379	430,379
Rhode Island	89,840	80,719	80,719
South Carolina	213,705	176,748	176,748
South Dakota	84,098	76,311	76,311
Tennessee	267,636	217,350	217,350
Texas	917,062	715,931	715,931
Utah	159,427	134,009	134,009
Vermont	74,530	68,832	68,832
Virginia	303,821	246,333	246,333
Washington	253,370	208,936	208,936
West Virginia	135,246	113,708	113,708
Wisconsin	270,768	220,022	220,022
Wyoming	75,747	68,832	68,832
Puerto Rico	268,680	216,817	216,817
Virgin Islands	56,256	56,144	56,144
American Samoa	52,584	52,270	52,270
Guam	57,343	56,544	56,544
Trust Territory (Palau)	17,909	4,200	4,200
Northern Marianas	51,360	51,202	51,202

1/ Distribution of funds estimated on assumption that all States and Territories will participate.

Child Abuse and Neglect
Challenge Grants
State Allocations

State	1989 Actual 1/	1990 Estimate 2/	1991 Estimate 2/
Total	$4,834,000	$4,934,000	$4,934,000
Alabama	79,821		
Alaska	46,405		
Arizona	61,029		
Arkansas	9,429		
California	993,004		
Colorado	0		
Connecticut	145,349		
Delaware	43,678		
D.C.	0		
Florida	568,916		
Georgia	87,266		
Hawaii	77,162		
Idaho	3,572		
Illinois	88,979		
Indiana	34,679		
Iowa	42,358		
Kansas	36,714		
Kentucky	45,113		
Louisiana	53,960		
Maine	81,749		
Maryland	133,793		
Massachusetts	30,483		
Michigan	190,459		
Minnesota	43,422		
Mississippi	0		
Missouri	104,897		
Montana	6,258		
Nebraska	33,725		
Nevada	30,316		
New Hampshire	0		

Child Abuse and Neglect
Challenge Grants
State Allocations

State	1989 Actual 1/	1990 Estimate 2/	1991 Estimate 2/
New Jersey	174,721		
New Mexico	30,755		
New York	203,090		
North Carolina	68,814		
North Dakota	50,452		
Ohio	398,619		
Oklahoma	95,333		
Oregon	40,833		
Pennsylvania	75,466		
Rhode Island	61,784		
South Carolina	63,708		
South Dakota	8,094		
Tennessee	43,842		
Texas	149,876		
Utah	63,055		
Vermont	38,042		
Virginia	53,960		
Washington	36,993		
West Virginia	1,664		
Wisconsin	102,363		
Wyoming	0		
Puerto Rico	0		
Virgin Islands	0		
Rep. of Palau	0		
Fed. States of Micronesia	0		
Rep. of Marshall Islands	0		
Amer. Indian Pro.	N/A		
Migrant Programs	N/A		
Special Projects	N/A		

1/ Funds actually awarded to eligible States.

2/ Funds for fiscal years 1990 and 1991 cannot be distributed among the, States until after the receipt of applications. States allocation will vary from year to year due to the factors in the allocation formula and the number of States applying.

Runaway and Homeless Youth
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Total	$24,230,700	$25,906,525	$25,906,525
Alabama	413,297	439,760	439,760
Alaska	75,000	75,000	75,000
Arizona	340,036	375,472	375,472
Arkansas	239,764	256,362	256,362
California	2,701,785	2,955,268	2,955,268
Colorado	323,385	342,737	342,737
Connecticut	280,095	299,352	299,352
Delaware	75,000	75,000	75,000
District of Columbia	75,000	75,000	75,000
Florida	1,000,497	1,101,964	1,101,964
Georgia	642,331	700,461	700,461
Hawaii	105,822	112,799	112,799
Idaho	113,222	119,899	119,899
Illinois	1,122,969	1,184,789	1,184,789
Indiana	543,909	576,224	576,224
Iowa	270,844	281,604	281,604
Kansas	240,874	257,546	257,546
Kentucky	368,526	386,910	386,910
Louisiana	486,928	511,542	511,542
Maine	112,112	119,504	119,504
Maryland	416,257	451,987	451,987
Massachusetts	494,698	525,740	525,740
Michigan	910,215	967,473	967,473
Minnesota	411,077	441,732	441,732
Mississippi	293,045	307,635	307,635
Missouri	483,968	517,458	517,458
Montana	83,251	87,163	87,163
Nebraska	156,883	166,833	166,833
Nevada	93,612	104,911	104,911
New Hampshire	98,422	108,461	108,461

Runaway and Homeless Youth
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
New Jersey	677,481	722,548	722,548
New Mexico	165,393	177,087	177,087
New York	1,613,597	1,718,023	1,718,023
North Carolina	602,000	645,639	645,639
North Dakota	75,000	75,000	75,000
Ohio	1,049,707	1,113,402	1,113,402
Oklahoma	330,415	348,259	348,259
Oregon	253,824	270,561	270,561
Pennsylvania	1,054,887	1,123,262	1,123,262
Rhode Island	84,731	90,713	90,713
South Carolina	348,176	373,895	373,895
South Dakota	75,000	77,303	77,303
Tennessee	462,878	493,794	493,794
Texas	1,843,741	1,966,497	1,966,497
Utah	232,734	248,474	248,474
Vermont	75,000	75,000	75,000
Virginia	539,839	579,774	579,774
Washington	432,534	469,341	469,341
West Virginia	181,303	188,525	188,525
Wisconsin	469,538	502,076	502,076
Wyoming	75,000	75,000	75,000
Puerto Rico	465,098	495,766	495,766
Virgin Islands	30,000	30,000	30,000
Trust Territory (Palau)	30,000	30,000	30,000
American Samoa	30,000	30,000	30,000
Guam	30,000	30,000	30,000
Northern Marianas	30,000	30,000	30,000

Dependent Care Planning and Development
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
TOTAL	$11,856,000	$13,178,000	$13,178,000
Alabama	193,231	211,811	211,811
Alaska	50,000	50,000	50,000
American Samoa	1,825	2,028	2,028
Arizona	162,283	177,886	177,886
Arkansas	113,401	124,305	124,305
California	1,318,862	1,673,534	1,673,534
Colorado	154,042	168,853	168,853
Connecticut	151,748	166,339	166,339
Delaware	50,000	50,000	50,000
District of Columbia	50,000	50,000	50,000
Florida	579,507	635,228	635,228
Georiga	299,703	328,520	328,520
Guam	6,196	6,887	6,887
Hawaii	51,176	56,096	56,096
Idaho	50,000	51,272	51,272
Illinois	540,505	592,475	592,475
Indiana	261,029	286,127	286,127
Iowa	132,692	145,450	145,450
Kansas	116,445	127,641	127,641
Kentucky	174,222	190,974	190,974
Louisiana	206,950	226,849	226,849
Maine	56,466	61,896	61,896
Maryland	217,438	238,345	238,345
Massachusetts	274,888	301,319	301,319
Michigan	435,438	477,306	477,306
Minnesota	201,612	220,998	220,998
Mississippi	122,999	134,826	134,826
Missouri	240,615	263,750	263,750
Montana	50,000	50,000	50,000
Nebraska	75,961	82,168	82,168

Dependent Care Planning and Development State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Nevada	50,000	54,403	54,403
New Hampshire	53,363	56,302	56,302
New Jersey	361,460	396,215	396,215
New Mexico	71,190	77,498	77,498
New York	838,007	918,583	918,583
North Carolina	305,556	334,935	334,935
North Dakota	50,000	50,000	50,000
Northern Marianas	965	1,072	1,072
Ohio	509,950	557,986	557,986
Oklahoma	152,778	167,468	167,468
Oregon	128,337	140,677	140,677
Palau	490	6,549	6,549
Pennsylvania	563,120	617,263	617,263
Puerto Rico	154,136	168,956	168,956
Rhode Island	50,000	51,067	51,067
South Carolina	163,547	179,272	179,272
South Dakota	50,000	50,000	50,000
Tennessee	230,314	252,459	252,459
Texas	785,661	861,204	861,204
Utah	80,175	86,788	86,788
Vermont	50,000	50,000	50,000
Virgin Islands	5,041	5,603	5,603
Virginia	280,740	307,734	307,734
Washington	216,267	237,062	237,062
West Virginia	88,211	96,693	96,693
Wisconsin	227,458	249,328	249,328
Wyoming	50,000	50,000	50,000

Child Welfare Services
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Total	$246,679,000	$252,647,751	$300,000,000
Alabama	5,136,223	5,219,255	6,199,559
Alaska	294,273	528,819	616,167
Arizona	3,796,889	3,869,322	4,592,628
Arkansas	3,095,075	3,106,633	3,684,741
California	23,101,075	23,792,938	28,309,260
Colorado	3,091,145	3,229,362	3,830,834
Connecticut	2,142,814	1,971,504	2,333,508
Delaware	653,914	658,060	770,013
District of Columbia	431,699	436,709	506,522
Florida	10,361,008	10,567,174	12,565,603
Georgia	7,300,778	7,292,929	8,668,015
Hawaii	1,118,785	1,153,520	1,359,798
Idaho	1,388,470	1,453,595	1,717,001
Illinois	10,772,961	10,666,422	12,683,746
Indiana	6,063,853	6,154,823	7,313,238
Iowa	3,073,698	3,000,773	3,558,727
Kansas	2,461,137	2,544,582	3,015,688
Kentucky	4,555,957	4,618,566	5,484,512
Louisiana	5,657,340	5,991,972	7,119,384
Maine	1,391,275	1,362,855	1,608,986
Maryland	3,797,929	3,729,385	4,426,051
Massachusetts	4,417,652	4,154,001	4,931,505
Michigan	9,551,280	9,299,563	11,056,668
Minnesota	4,205,756	4,170,382	4,951,004
Mississippi	3,922,822	3,971,096	4,713,778
Missouri	5,234,613	5,233,553	6,216,579
Montana	1,048,711	1,052,294	1,239,301
Nebraska	1,743,927	1,922,926	2,275,682
Nevada	963,552	997,784	1,174,414
New Hampshire	1,024,348	988,549	1,163,420

Child Welfare Services
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
New Jersey	5,465,478	5,013,389	5,954,501
New Mexico	2,071,845	2,090,547	2,475,214
New York	14,372,699	14,110,169	16,783,106
North Carolina	7,186,796	7,268,933	8,639,450
North Dakota	848,841	855,281	1,004,782
Ohio	10,428,868	11,255,118	13,384,517
Oklahoma	3,734,970	3,900,379	4,629,598
Oregon	2,850,378	2,881,730	3,417,021
Pennsylvania	11,236,477	11,120,887	13,224,730
Rhode Island	952,687	956,109	1,124,804
South Carolina	4,467,885	4,468,039	5,305,328
South Dakota	938,007	947,588	1,114,662
Tennessee	5,597,550	5,652,615	6,715,421
Texas	18,957,908	19,868,603	23,637,819
Utah	2,891,279	2,930,715	3,475,331
Vermont	583,217	660,567	772,998
Virginia	5,462,917	5,405,101	6,420,785
Washington	4,381,800	4,491,548	5,333,312
West Virginia	2,396,862	2,386,241	2,827,202
Wisconsin	5,076,738	5,088,215	6,043,572
Wyoming	382,246	656,769	768,477
American Samoa	163 069	167,473	186,030
Guam	342,373	352,849	406,697
Northern Mariana	117,968	119,937	129,444
Puerto Rico	3,674,293	6,566,888	7,803,752
Virgin Islands	294,890	292,715	335,115

Administration on Aging
Title III-B Supportive Services and Senior Centers
State Allocations

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total 57 "States"	$276,193,960	$272,960,765	$272,960,765
Alabama.............	4,455,496	4,386,424	4,386,424
Alaska	1,383,200	1,364,804	1,364,804
Arizona 1/..........	3,425,527	3,380,712	3,380,712
Arkansas............	3,072,008	3,029,486	3,029,486
California..........	25,559,872	25,212,230	25,212,230
Colorado............	2,694,418	2,658,625	2,658,625
Connecticut	3,874,067	3,821,141	3,821,141
Delaware............	1,402,436	1,391,402	1,391,402
District of Columbia	1,402,615	1,389,830	1,389,830
Florida.............	17,108,683	16,880,973	16,880,973
Georgia.............	5,433,179	5,360,678	5,360,678
Hawaii..............	1,430,727	1,417,218	1,417,218
Idaho...............	1,425,287	1,410,660	1,410,660
Illinois............	12,770,263	12,595,484	12,595,484
Indiana.............	5,968,079	5,886,744	5,886,744
Iowa................	3,756,790	3,705,983	3,705,983
Kansas..............	3,023,308	2,981,991	2,981,991
Kentucky............	4,100,319	4,044,695	4,044,695
Louisiana...........	4,164,855	4,102,048	4,102,048
Maine...............	1,473,238	1,454,783	1,454,783
Maryland	4,318,573	4,260,904	4,260,904
Massachusetts.......	7,231,001	7,131,502	7,131,502
Michigan	9,500,077	9,370,791	9,370,791
Minnesota...........	4,711,263	4,648,057	4,648,057
Mississippi.........	2,868,719	2,829,978	2,829,978
Missouri............	6,250,148	6,165,262	6,165,262
Montana.............	1,416,854	1,402,937	1,402,937
Nebraska............	2,025,731	1,998,725	1,998,725
Nevada..............	1,424,522	1,412,569	1,412,569
New Hampshire.......	1,434,052	1,418,466	1,418,466
New Jersey..........	8,998,017	8,874,581	8,874,581
New Mexico 2/.......	1,430,121	1,412,644	1,412,644
New York............	21,442,233	21,149,320	21,149,320
North Carolina......	6,444,222	6,358,588	6,358,588
North Dakota........	1,407,784	1,394,828	1,394,828

III-B	1990 Actual	FY 1990 Estimate	FY 1991 Estimate
Ohio....................	$12,077,344	$11,915,422	$11,915,422
Oklahoma................	3,740,010	3,687,643	3,687,643
Oregon..................	3,145,840	3,104,282	3,104,282
Pennsylvania............	15,732,839	15,520,012	15,520,012
Rhode Island............	1,450,122	1,431,646	1,431,646
South Carolina..........	3,178,221	3,136,669	3,136,669
South Dakota............	1,415,761	1,401,806	1,401,806
Tennessee...............	5,247,673	5,176,101	5,176,101
Texas...................	14,275,114	14,079,499	14,079,499
Utah 2/.................	1,437,901	1,421,234	1,421,234
Vermont.................	1,392,443	1,382,006	1,382,006
Virginia................	5,444,244	5,372,679	5,372,679
Washington..............	4,553,989	4,494,352	4,494,352
West Virginia	2,442,202	2,409,362	2,409,362
Wisconsin...............	5,587,797	5,512,902	5,512,902
Wyoming.................	1,383,200	1,367,759	1,367,759
American Samoa..........	453,732	452,047	452,047
Guam....................	691,600	682,402	682,402
Puerto Rico.............	2,595,724	2,560,435	2,560,435
Trust Territory of the Pacific Islands-Palau.3/	245,560	682,402 3/	682,402
Virgin Islands..........	691,600	682,402	682,402
Northern Mariana Islands	183,360	182,640	182,640

1/ Includes amounts transferred for administering the interstate planning and service area from New Mexico and Utah.
2/ Amounts reflect transfer to Arizona for interstate planning and service area.
3/ $446,040 withheld in accordance with the Compact of Free Association in FY 1989. Through the Compact of Free Association, the Republic of Palau will be funded in FY's 1990 and 1991 @ $114,336, while the Federated States of Micronesia and the Marshall Islands are no longer funded under the Older Americans Act; an amount of $568,066 is being withheld and will be reallotted to other States at the end of the year.

Administration on Aging
Title III-C-1 Congregate Nutrition Services
State Allocations

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total 57 "States"	$355,868,410	$351,924,415	$351,924,415
Alabama............	5,739,575	5,650,533	5,650,533
Alaska	1,781,840	1,758,122	1,758,122
Arizona 1/..........	4,412,768	4,354,989	4,354,989
Arkansas............	3,957,365	3,902,544	3,902,544
California..........	32,926,261	32,478,056	32,478,056
Colorado............	3,470,952	3,424,805	3,424,805
Connecticut	4,990,578	4,922,343	4,922,343
Delaware............	1,806,620	1,792,385	1,792,385
District of Columbia	1,806,850	1,790,361	1,790,361
Florida.............	22,039,428	21,745,845	21,745,845
Georgia.............	6,999,028	6,905,554	6,905,554
Hawaii..............	1,843,065	1,825,641	1,825,641
Idaho...............	1,836,056	1,817,193	1,817,193
Illinois............	16,450,669	16,225,335	16,225,335
Indiana.............	7,688,087	7,583,225	7,583,225
Iowa................	4,839,502	4,773,998	4,773,998
Kansas..............	3,894,630	3,841,362	3,841,362
Kentucky............	5,282,036	5,210,322	5,210,322
Louisiana...........	5,365,171	5,284,203	5,284,203
Maine...............	1,897,827	1,874,032	1,874,032
Maryland	5,563,192	5,488,839	5,488,839
Massachusetts.......	9,314,984	9,186,706	9,186,706
Michigan	12,238,011	12,071,328	12,071,328
Minnesota...........	6,069,055	5,987,566	5,987,566
Mississippi.........	3,695,487	3,645,539	3,645,539
Missouri............	8,051,448	7,942,008	7,942,008
Montana.............	1,825,193	1,807,245	1,807,245
Nebraska............	2,609,549	2,574,731	2,574,731
Nevada..............	1,835,071	1,819,653	1,819,653
New Hampshire.......	1,847,348	1,827,249	1,827,249
New Jersey..........	11,591,257	11,432,117	11,432,117
New Mexico 2/.......	1,842,284	1,819,749	1,819,749
New York............	27,621,912	27,244,272	27,244,272
North Carolina......	8,301,455	8,191,048	8,191,048
North Dakota........	1,813,509	1,796,799	1,796,799

III-C-1	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Ohio....................	$15,558,050	$15,349,288	$15,349,288
Oklahoma................	4,817,886	4,750,373	4,750,373
Oregon..................	4,052,474	3,998,894	3,998,894
Pennsylvania............	20,267,063	19,992,673	19,992,673
Rhode Island............	1,868,049	1,844,227	1,844,227
South Carolina..........	4,094,189	4,040,615	4,040,615
South Dakota............	1,823,786	1,805,787	1,805,787
Tennessee...............	6,760,059	6,667,785	6,667,785
Texas...................	18,389,220	18,137,024	18,137,024
Utah 2/.................	1,852,305	1,830,815	1,830,815
Vermont.................	1,793,747	1,780,281	1,780,281
Virginia................	7,013,282	6,921,014	6,921,014
Washington..............	5,866,455	5,789,564	5,789,564
West Virginia	3,146,047	3,103,708	3,103,708
Wisconsin...............	7,198,207	7,101,647	7,101,647
Wyoming.................	1,781,840	1,761,928	1,761,928
American Samoa..........	584,498	582,320	582,320
Guam....................	890,920	879,061	879,061
Puerto Rico.............	3,343,815	3,298,318	3,298,318
Trust Territory of the Pacific Islands-Palau 3/.	316,330	879,061 3/	879,061
Virgin Islands..........	890,920	879,061	879,061
Northern Mariana Islands	236,205	235,274	235,274
Evaluations.............	75,000	300,000	300,000

1/ Includes amounts transferred for administering the interstate planning and service area from New Mexico and Utah.

2/ Amounts reflect transfer to Arizona for interstate planning and service area.

3/ $574,590 withheld in accordance with the Compact of Free Association in FY 1989. Through the Compact of Free Association, the Republic of Palau will be funded in FY's 1990 and 1991 @ $147,286, while the Federated States of Micronesia and the Marshall Islands are no longer funded under the Older Americans Act; an amount of $731,775 is being withheld and will be reallotted to other States at the end of the year.

Administration on Aging
Title III-C-2 Home-Delivered Nutrition Services
State Allocations

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total 57 "States"	$78,419,355	$78,981,410	$78,981,410
Alabama	1,265,043	1,269,215	1,269,215
Alaska	392,730	394,907	394,907
Arizona 1/	972,604	978,211	978,211
Arkansas	872,231	876,584	876,584
California	7,257,182	7,295,179	7,295,179
Colorado	765,022	769,275	769,275
Connecticut	1,099,958	1,105,650	1,105,650
Delaware	398,192	402,603	402,603
District of Columbia	398,242	402,148	402,148
Florida	4,857,644	4,884,523	4,884,523
Georgia	1,542,635	1,551,116	1,551,116
Hawaii	406,224	410,073	410,073
Idaho	404,680	408,175	408,175
Illinois	3,625,842	3,644,513	3,644,513
Indiana	1,694,508	1,703,334	1,703,334
Iowa	1,066,660	1,072,329	1,072,329
Kansas	858,404	862,842	862,842
Kentucky	1,164,198	1,170,336	1,170,336
Louisiana	1,182,521	1,186,931	1,186,931
Maine	418,294	420,943	420,943
Maryland	1,226,166	1,232,896	1,232,896
Massachusetts	2,053,088	2,063,506	2,063,506
Michigan	2,697,343	2,711,446	2,711,446
Minnesota	1,337,662	1,344,919	1,344,919
Mississippi	814,511	818,856	818,856
Missouri	1,774,595	1,783,923	1,783,923
Montana	402,285	405,941	405,941
Nebraska	575,163	578,333	578,333
Nevada	404,463	408,728	408,728
New Hampshire	407,168	410,434	410,434
New Jersey	2,554,794	2,567,867	2,567,867
New Mexico 2/	406,052	408,750	408,750
New York	6,088,063	6,119,572	6,119,572
North Carolina	1,829,699	1,839,862	1,839,862
North Dakota	399,710	403,595	403,595

III-C-2	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Ohio....................	$3,429,103	$3,447,737	$3,447,737
Oklahoma................	1,061,896	1,067,023	1,067,023
Oregon..................	893,194	898,226	898,226
Pennsylvania............	4,467,002	4,490,728	4,490,728
Rhode Island............	411,731	414,248	414,248
South Carolina..........	902,388	907,598	907,598
South Dakota............	401,975	405,614	405,614
Tennessee...............	1,489,964	1,497,709	1,497,709
Texas...................	4,053,113	4,073,914	4,073,914
Utah 2/.................	408,261	411,235	411,235
Vermont.................	395,354	399,884	399,884
Virginia................	1,545,776	1,554,589	1,554,589
Washington..............	1,293,008	1,300,444	1,300,444
West Virginia	693,411	697,151	697,151
Wisconsin...............	1,586,535	1,595,163	1,595,163
Wyoming.................	392,730	395,762	395,762
American Samoa..........	128,827	130,800	130,800
Guam....................	196,365	197,453	197,453
Puerto Rico.............	737,000	740,864	740,864
Trust Territory of the Pacific Islands-Palau 3/.	69,720	197,453 3/	197,453
Virgin Islands..........	196,365	197,453	197,453
Northern Mariana Islands	52,061	52,847	52,847

1/ Includes amounts transferred for administering the interstate planning and service area from New Mexico and Utah.

2/ Amounts reflect transfer to Arizona for interstate planning and service area.

3/ $84,149 withheld in accordance with the Compact of Free Association in FY 1989. Through the Compact of Free Association, the Republic of Palau will be funded in FY's 1990 and 1991 @ $33,083, while the Federated States of Micronesia and the Marshall Islands are no longer funded under the Older Americans Act; an amount of $164,370 is being withheld and will be reallotted to other States at the end of the year.

Administration on Aging
Title III-D In-home Services for Frail Older Individuals
State Allocations

	FY 1989 Actual 1/	FY 1990 Estimate	FY 1991 Estimate
Total 57 "States"	$4,826,207	$5,756,406	$5,756,406
Alabama............	77,855	92,504	92,504
Alaska	24,170	28,782	28,782
Arizona	59,856	71,294	71,294
Arkansas...........	53,680	63,888	63,888
California.........	446,633	531,694	531,694
Colorado...........	47,082	56,067	56,067
Connecticut	67,695	80,583	80,583
Delaware...........	24,506	29,343	29,343
District of Columbia	24,509	29,310	29,310
Florida............	298,957	355,999	355,999
Georgia............	94,939	113,050	113,050
Hawaii.............	25,000	29,887	29,887
Idaho..............	24,905	29,749	29,749
Illinois...........	223,147	265,623	265,623
Indiana............	104,286	124,144	124,144
Iowa...............	65,646	78,155	78,155
Kansas.............	52,829	62,887	62,887
Kentucky...........	71,649	85,298	85,298
Louisiana..........	72,777	86,507	86,507
Maine..............	25,743	30,680	30,680
Maryland	75,463	89,857	89,857
Massachusetts.......	126,354	150,395	150,395
Michigan	166,004	197,619	197,619
Minnesota..........	82,324	98,022	98,022
Mississippi........	50,128	59,681	59,681
Missouri...........	109,215	130,018	130,018
Montana............	24,758	29,586	29,586
Nebraska...........	35,398	42,151	42,151
Nevada.............	24,892	29,789	29,789
New Hampshire.......	25,059	29,914	29,914
New Jersey.........	157,231	187,154	187,154
New Mexico	24,991	29,791	29,791
New York...........	374,681	446,013	446,013
North Carolina......	112,606	134,095	134,095
North Dakota.......	24,600	29,415	29,415

III-D	1987 Actual 1/	FY 1988 Estimate	FY 1989 Estimate
Ohio....................	$211,039	$251,282	$251,282
Oklahoma................	65,353	77,768	77,768
Oregon..................	54,970	65,466	65,466
Pennsylvania............	274,915	327,298	327,298
Rhode Island............	25,339	30,192	30,192
South Carolina..........	55,536	66,149	66,149
South Dakota............	24,739	29,562	29,562
Tennessee...............	91,698	109,158	109,158
Texas...................	249,443	296,919	296,919
Utah	25,127	29,972	29,972
Vermont.................	24,332	29,145	29,145
Virginia................	95,133	113,303	113,303
Washington..............	79,576	94,780	94,780
West Virginia	42,675	50,810	50,810
Wisconsin...............	97,641	116,260	116,260
Wyoming.................	24,170	28,844	28,844
American Samoa..........	7,929	9,533	9,533
Guam....................	12,085	14,391	14,391
Puerto Rico.............	45,358	53,996	53,996
Trust Territory of the the Pacific Islands2/	4,292	14,391	14,391
Virgin Islands..........	12,085	14,391	14,391
Northern Mariana Islands	3,204	3,852	3,852

1/ Funds for this program were first authorized and appropriated in FY 1988 in accordance with the Reauthorization of, and Amendments to, the Older Americans Act of 1965, P.L. 100-175.

2/ $7,793 withheld in accordance with the Compact of Free Association in FY 1989. Through the Compact of Free Association, the Republic of Palau will be funded in FY's 1990 and 1991 @ $3,852, while the Federated States of Micronesia and the Marshall Islands are no longer funded under the Older Americans Act; an amount of $2,412 is being withheld and will be reallotted to other States at the end of the year.

ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

Basic Support

State Allocations

	1989 Actual	1990 Estimate	1991 Estimate
Total 57 "States"	59,774,000	61,939,000	61,939,000
Alabama............	1,224,738	1,252,039	1,252,039
Alaska.............	301,052	350,000	350,000
Arizona............	694,572	736,179	736,179
Arkansas...........	701,276	714,801	714,801
California.........	4,870,971	5,092,576	5,092,576
Colorado...........	582,968	613,399	613,399
Connecticut........	611,677	615,685	615,685
Delaware...........	301,052	350,000	350,000
District of Columbia..........	301,052	350,000	350,000
Florida............	2,408,276	2,525,142	2,525,142
Georgia............	1,498,339	1,554,683	1,554,683
Hawaii.............	301,052	350,000	350,000
Idaho..............	301,052	350,000	350,000
Illinois...........	2,447,174	2,475,753	2,475,753
Indiana............	1,372,065	1,385,367	1,385,367
Iowa...............	742,937	728,755	728,755
Kansas.............	541,097	550,720	550,720
Kentucky...........	1,153,813	1,161,885	1,161,885
Louisiana..........	1,261,588	1,317,169	1,317,169
Maine..............	319,520	350,000	350,000
Maryland...........	863,073	876,334	876,334
Massachusetts......	1,202,911	1,198,393	1,198,393
Michigan...........	2,183,702	2,215,428	2,215,428
Minnesota..........	927,585	939,491	939,491
Mississippi........	886,012	910,637	910,637
Missouri...........	1,236,340	1,244,146	1,244,146
Montana............	301,052	350,000	350,000
Nebraska...........	379,743	381,345	381,345
Nevada.............	301,052	350,000	350,000
New Hampshire......	301,052	350,000	350,000

	1989 Actual	1990 Estimate	1991 Estimate
New Jersey.........	1,438,870	1,441,176	1,441,176
New Mexico.........	377,574	413,625	413,625
New York...........	3,849,798	3,869,768	3,869,768
North Carolina.....	1,703,862	1,740,521	1,740,521
North Dakota.......	301,052	350,000	350,000
Ohio...............	2,649,240	2,684,806	2,684,806
Oklahoma...........	805,551	828,689	828,689
Oregon.............	605,903	618,562	618,562
Pennsylvania.......	2,950,361	2,931,501	2,931,501
Rhode Island.......	301,052	350,000	350,000
South Carolina.....	969,070	995,551	995,551
South Dakota.......	301,052	350,000	350,000
Tennessee..........	1,347,081	1,362,103	1,362,103
Texas..............	3,543,182	3,748,968	3,748,968
Utah...............	426,014	460,630	460,630
Vermont............	301,052	350,000	350,000
Virginia...........	1,261,376	1,285,592	1,285,592
Washington.........	899,180	928,188	928,188
West Virginia......	689,018	682,946	682,946
Wisconsin..........	1,180,918	1,191,394	1,191,394
Wyoming............	301,052	350,000	350,000
American Samoa.....	160,561	200,000	200,000
Guam...............	160,561	200,000	200,000
Puerto Rico........	2,316,108	2,277,501	2,277,501
Trust Territories of the Pacific....	* 94,597	287,552	287,552
Virgin Islands.....	160,561	200,000	200,000
Northern Mariana Islands...........	160,561	200,000	200,000

* Funding for Trust Territories of the Pacific transferred to the Office of Community Services for inclusion in the Community Services Block Grant.

ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

Protection and Advocacy

State Allocations

	1989 Actual	1990 Estimate	1991 Estimate
Total 57 "States"	19,760,000	20,484,000	20,484,000
Alabama...........	366,864	375,514	375,514
Alaska............	185,949	200,000	200,000
Arizona...........	224,324	238,546	238,546
Arkansas..........	210,160	214,491	214,491
California........	1,461,001	1,529,354	1,529,354
Colorado..........	200,921	213,377	213,377
Connecticut.......	198,247	208,871	208,871
Delaware..........	185,949	200,000	200,000
District of Columbia.........	185,949	200,000	200,000
Florida...........	722,442	758,409	758,409
Georgia...........	449,047	466,520	466,520
Hawaii............	185,949	200,000	200,000
Idaho.............	185,949	200,000	200,000
Illinois..........	733,310	742,794	742,794
Indiana...........	411,189	415,688	415,688
Iowa..............	222,515	218,544	218,544
Kansas............	185,949	200,000	200,000
Kentucky..........	345,517	348,379	348,379
Louisiana.........	378,064	395,223	395,223
Maine.............	185,949	200,000	200,000
Maryland..........	258,687	262,996	262,996
Massachusetts.....	360,150	359,234	359,234
Michigan..........	653,945	664,266	664,266
Minnesota.........	277,972	281,892	281,892
Mississippi.......	265,496	273,212	273,212
Missouri..........	370,400	373,208	373,208
Montana...........	185,949	200,000	200,000
Nebraska..........	185,949	200,000	200,000
Nevada............	185,949	200,000	200,000
New Hampshire.....	185,949	200,000	200,000

	1989 Actual	1990 Estimate	1991 Estimate
New Jersey.........	430,940	432,142	432,142
New Mexico.........	185,949	200,000	200,000
New York...........	1,152,387	1,159,855	1,159,855
North Carolina.....	510,550	522,192	522,192
North Dakota.......	185,949	200,000	200,000
Ohio...............	793,508	805,179	805,179
Oklahoma...........	241,570	248,820	248,820
Oregon.............	194,632	202,742	202,742
Pennsylvania.......	883,458	878,942	878,942
Rhode Island.......	185,949	200,000	200,000
South Carolina.....	290,446	298,756	298,756
South Dakota.......	185,949	200,000	200,000
Tennessee..........	403,613	408,631	408,631
Texas..............	1,063,103	1,126,269	1,126,269
Utah...............	185,949	200,000	200,000
Vermont............	185,949	200,000	200,000
Virginia...........	377,959	385,710	385,710
Washington.........	269,739	278,784	278,784
West Virginia......	211,800	219,755	219,755
Wisconsin..........	353,721	357,299	357,299
Wyoming............	185,949	200,000	200,000
American Samoa.....	99,173	107,000	107,000
Guam...............	99,173	107,000	107,000
Puerto Rico........	694,523	683,406	683,406
Trust Territories of the Pacific.... *	34,026	107,000	107,000
Virgin Islands.....	99,173	107,000	107,000
Northern Mariana Islands...........	99,173	107,000	107,000

* Funding for Trust Territories of the Pacific transferred to the Office of Community Services for inclusion in the Community Services Block Grant.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Human Development Services

Payments to States for Foster Care and Adoption Assistance

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Appropriation Estimate

Office of Human Development Services

Payments to States for Foster Care and Adoption Assistance

For carrying out part E of title IV of the Social Security Act, [$1,380,048,000] *$2,518,635,000*, of which [$50,000,000] *$544,000,000* shall be for [carrying out section 477 of the Social Security Act.] 1/ *payment of prior years' claims: Provided, That notwithstanding section 474(a) of said Act, no payments shall be made to any State from amounts made available under this Act, for expenditures for administration of the State plan for Foster Care under section 472 of such Act for fiscal year 1991 in excess of an amount equal to 110 percent of the total payments made to such State for such expenditures for fiscal year 1990 (as determined on the basis of claims submitted by the State and received by the Secretary on or before May 15, 1991, and determined allowable by the Secretary by September 30, 1991:* 2/ *Provided further, That of the total amount provided, $47,352,000 shall be transferred to "Human Development Services" account for part B of title IV of the Act.* 3/ *(Department of Health and Human Services Act, 1990.)*

Explanation of Language Change

1/ An earmark for Independent Living activities is not required.

2/ Language is added to limit the growth of foster care administrative costs to 10 percent.

3/ Language is added to effect a transfer of funds to Child Welfare Services to increase the quality and quanity of family strengthening services.

Language Analysis

Language Provision	Explanation
...Provided, That nowithstanding Section 474(a) of said Act, no payments shall be made to any State from amounts made available under this Act, for expenditures for administration of the State plan for Foster Care under Section 472 of such Act for fiscal year 1991 in excess of an amount equal to 110 percent of the total payments made to such the State for such expenditures for fiscal year 1990 (as determined on the basis of claims submitted by the State and received by the Secretary on or before May 15, 1991, and determined allowable by the Secretary by Semptember 30, 1991:	Administrative cost claims have been rapidly rising and are expected to exceed maintenance costs by 1992, under current law. Language is added to limit the growth of these costs to 10 percent. This language is consistent with legislation which will be submitted to the Congress.

Payments to States for Foster Care and Adoption Assistance

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation:			
Annual	$1,543,252,000	$1,380,048,000	$2,518,635,000
Sequester Order	—	5,132,000	—
Subtotal, adjusted appropriation	1,543,252,000	1,374,916,000	2,518,635,000
Real transfer to "Human Development Services" — transfer of child welfare services funds for preventive and reunification services			-$47,352,000
Subtotal, Adjusted Budget Authority	1,543,252,000	1,374,916,000	2,471,283,000
Total, Obligations	$1,543,252,000	$1,374,916,000	$2,471,283,000

Payments to States for Foster Care and Adoption Assistance

SUMMARY OF CHANGES

1990 Appropriation..................................	$1,374,916,000
1991 Request..	$2,471,283,000
Net change..	+$1,096,367,000

	1990 Base	Change from Base
Increases:		
A. Built-in		
1. Increase for expected claims for Foster Care..........	$1,477,424,000	+$677,651,000
2. Estimate of funds needed to pay Foster Care prior year claims...	—	+544,000,000
3. Increase for expected Adoption Assistance claims	132,040,000	+25,625,000
4. Increase in authorization in Independent Living entitlement	50,000,000	+10,000,000
Total Increases	—	+1,257,276,000
Decreases		
A. Program:		
1. Reduction associated with the reduced rate of growth in administrative costs of foster care..........	—	-160,909,000
Total Decreases...............	—	-160,909,000
Net change.....................	—	+1,096,367,000

Payments to States for Foster Care and Adoption Assistance

Budget Authority by Activity
(dollars in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
1. Foster Care	$ 881,983	$1,200,061	$1,716,803
2. Prior Year Claims	504,525	—	544,000
3. Adoption Assistance.....	111,744	124,855	150,480
4. Independent Living	45,000	50,000	60,000
Total	$1,543,252	$1,374,916	$2,471,283

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Grants, subsidies and contributions	$1,374,916,000	$2,471,283,000	+$1,096,367,000

Payments to States for Foster Care and Adoption Assistance

Authorizing Legislation

	1990 Amount Authorized	1980 Current Estimate	1991 Amount Authorized	1991 Budget Request
Foster Care (Section 470 of Title IV-E of the Social Security Act, as amended)	Indefinite	$1,200,061,000	Indefinite	$2,260,803,000
Independent Living (Section 470 and 477 of Title IV-E of the Social Security Act, as amended).	50,000,000	50,000,000	60,000,000	60,000,000
Adoption Assistance— (Section 470 of Title IV-E of the Social Security Act, as amended)	Indefinite	$124,885,000	Indefinite	150,480,000
Total Appropriation		$1,374,916,000		$2,471,283,000

Payments to States for Foster Care and Adoption Assistance

Table of Estimates and Appropriations

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1983	$380,120,000	$410,920,000	$572,660,000	$572,669,000
1984	601,496,000	617,231,000	631,513,000	625,905,000
1984 supplementals	43,200,000	43,200,000	60,000,000	60,000,000
1985	641,902,000	651,902,000	690,902,000	690,902,000
1985 supplementals	79,495,000	79,495,000	79,495,000	79,495,000
Rescission	-396,000	—	—	—
1986	740,994,000	745,019,000	810,412,000	777,092,000a/
1986 Sequestering	-16,407,000	-16,407,000	-16,407,000	-16,407,000
1986 Rescission	-6,157,000	—	—	—
1987	817,837,000	1,005,223,000	889,717,000	939,567,000
1987 Supplemental	165,227,000	165,227,000	165,227,000	165,000,000
1988	682,040,000b/	811,178,000b/	811,178,000b/	811,178,000b/
1989	1,074,907,000	1,119,907,000	1,119,907,000	1,119,907,000
Supplemental	598,679,000			532,275,000
1990	1,286,447,000	1,556,364,000	1,336,447,000	1,374,916,000
1991	2,471,283,000			

a/ Reflects withholding of $145,000 pursuant to P.L. 99-190.

b/ This amount reflects the transfer of four programs to Human Development Services. Prior year amounts are non-comparable.

HUMAN DEVELOPMENT SERVICES
Justification
Account Summary

	1990 Appropriation	1991 Estimate	Increase or Decrease
A. Foster Care	$1,200,061,000	$1,716,803,000	+$516,742,000
B. Prior Year Claims ...	—	544,000,000	+544,000,000
C. Adoption Assistance .	124,855,000	150,480,000	+25,625,000
D. Independent Living ..	50,000,000	60,000,000	+10,000,000
Total	1,374,916,000	2,471,283,000	+1,096,367,000

General Statement

Payments to States for Foster Care and Adoption Assistance include those entitlement programs which assist States with the cost of maintaining eligible children in foster care and with the maintenance costs of children adopted under special conditions.

The President's appropriation request of $2,518,635,000 includes current law amounts adjusted by a decrease of $160,909,000, assuming Congressional action on proposed legislation and a transfer of $47,352,000 to the Human Development account.

Current law appropriation request	$2,632,192,000
Impact of legislative changes:	
— Reduction in the rate of growth of administrative costs for foster care..............................	-160,909,000
— Increase for Child Welfare services.................	+47,352,000
— Transfer of incentive funds for Child Welfare services to the Human Development Services appropriation account	-47,352,000
Total, appropriation request in President's budget	$2,471,283,000

Program Accomplishments

- The number of States participating in the Adoption Assistance program has risen from six in 1981, to 51 presently.
- The average number of children for whom adoption assistance payments are made has increased from 289 in 1981 to over 40,000 in 1989.
- Children, on average, are spending less time in foster care. The median length of stay which was 24 months in 1977 was 17 months in 1986.

Foster Care Maintenance Payments

Authorizing legislation: Section 470, Title IV-E of the Social Security Act, as amended.

1991 Authorization: Indefinite

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$1,200,061,000	$2,260,803,000 a/	+$1,060,742,000a/

a/ Includes $544,000,000 for prior year claims.

Purpose and Method of Operations:

This program provides funds to States to assist with: the costs of foster care maintenance for eligible children; administrative costs to manage the program; and staff training. The purpose of the program is to help States provide proper care for children who need placement outside their homes, in a foster family home or an institution.

This program is an open-ended entitlement program. Federal financial participation in State expenditures for foster care maintenance is provided at the Medicaid match rate for medical assistance payments, which varies among States from 50 percent to 78 percent. Monthly payments to families and institutions made on behalf of foster children also vary from State to State. Federal financial participation is made at an open-ended 50 percent match rate for State administrative expenditures and at an open-ended 75 percent for State training expenditures.

The 1980 amendments to the Social Security Act link this program (Title IV-E) to the Child Welfare Services State Grant Program (Title IV-B). The same State agency must administer, or supervise, the administration of both programs. The broad goal of both programs is to strengthen families in which children are at risk.

Under certain circumstances, if a State spends less than its allotment amount for foster care, it may transfer the remaining funds to Title IV-B to provide child welfare services. In order to transfer funds, the State must meet several requirements, including having in place specific protections and services to benefit children and their families. The transferability of funds reinforces the emphasis of the 1980 amendments — services to strengthen or reunify families are preferred to financing the maintenance of children in foster care apart from their families.

The appropriations for Foster Care over the the past five fiscal years are as follows:

1986	$ 501,580,000
1987	$ 592,000,000
1988	$ 678,178,000 a/
1989	$1,386,508,000 b/
1990	$1,200,061,000

a/ Includes reprogramming of $20,000,000 from Adoption Assistance.

b/ Includes $532,275,000 for prior years' claims and $22,192,000 reprogrammed from Adoption Assistance.

The appropriations cited above include funds transferred by States to Title IV-B for Child Welfare Service as follows:

FY	Amount Used for Foster Care		# of States Transferring	Amount Transferred to Child Welfare Services
1986	$486,684,500		16	$14,895,500
1987	580,655,450		15	11,344,550
1988	653,060,708	a/	10	5,117,292
1989	1,384,942,376	b/	15	1,565,624

a/ Amount increased to $673,060,708 by reprogramming of $20,000,000 from Adoption Assistance.

b/ Includes $504,525,000 for prior years' claims.

The average monthly number of foster children for whom claims have been paid is increasing due to new types of cases, for example, crack babies, and to States making greater efforts to review their foster children more thoroughly for possible eligibility under title IV-E. This trend is expected to continue and increase for at least the next few years.

Rationale for the Budget Request - The FY 1991 request for Foster Care is $2,260,803,000. This request is based on proposed legislation which would reduce the rate of growth in administrative expenditures to an increase of ten percent per year per State. The ten percent increase exceeds the current rate of inflation, but will reduce the projected 34% increase in administrative costs between FY 1990 and FY 1991. Claims for administrative costs have been increasing rapidly without any indication that the additional funds are benefiting children and their families. Between FY 1981 and FY

1991, State claims for administrative costs will have grown over 2,800%, from $30 million in 1981 to $882 million projected for FY 1991. This increase has outpaced growth in both numbers of children served, which will have increased by only 99% over the same time period. The increase also will have outpaced the growth in maintenance payments which will have increased by 233%.

Maintenance payments and training costs will remain open-ended entitlements.

The request also includes $544,000,000, the current estimate of all 1989 and 1990 prior year claims.

The request will provide Federal Financial Participation for an average of approximately 205,187 children per month.

Adoption Assistance Maintenance Payments

Authorizing legislation: Section 470 of the Title IV-E of the Social Security Act, as amended.

1991 Authorization: Indefinite

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$124,855,000	$150,480,000	+$25,625,000

Purpose and Method of Operations - Although the Office of Human Development Services' (OHDS) policy is to prevent family dissolution whenever possible, it is sometimes necessary and advisable to seek permanent placement for children outside the biological family.

The Adoption Assistance program provides funds to States to assist in paying maintenance costs for children with special needs, e.g., children who are older or handicapped. Funds are also used for the administrative costs of managing the program and training staff. The goal of this program is to facilitate the placement of hard to place children in permanent adoptive homes and thus prevent long, inappropriate stays in foster care.

Adoption Assistance is an open-ended entitlement program. Federal financial participation in State maintenance expenditures is provided at the Medicaid match rate for medical assistance payments, which varies among the States from 50 to 78 percent. State adoption subsidy rates made on behalf of individual children also vary from State to State but may not exceed comparable foster family care rates. State administrative costs are matched at an open-ended 50 percent match rate; training at an open-ended 75 percent match rate.

To receive adoption assistance benefits, a child must:

- be a "special needs" child, e.g., older; a member of a minority or sibling group; or physically, mentally or emotionally handicapped; and
- have been receiving or be eligible to receive Aid to Families with Dependent Children benefits; or
- have been receiving or be eligible to receive Supplemental Security Income benefits.

The number of adopted children subsidized by this program and the level of Federal reimbursements have increased significantly since this program's inception in fiscal year 1981, as more States, especially those with larger populations, have begun operations under Title IV-E of the Social Security Act. From fiscal year 1981, when only six States were placing children with subsidies, until fiscal year 1990, when all States were claiming expenditures under the program, the average monthly number of children for whom payments were made increased from 289 to over 46,000.

Past appropriations have been:

Fiscal Year	Appropriation	Program Level	# of States Participating
1985	$35,351,000	$39,458,000	49
1986	41,391,000	54,699,000	49
1987	59,904,000	69,799,000	49
1988	88,000,000 a/	96,711,000	51
1989	111,744,000 b/	112,981,000	51
1990	124,855,000	124,855,000	51

a/ Funds available after reprogramming of $20,000,000 from Adoption Assistance to Foster Care.

b/ Funds available after reprogramming of $22,192,000 from Adoption Assistance to Foster Care.

Rationale for the Budget Request - The request for fiscal year 1991 is $150,480,000. The $25,625,000 increase in FY 1991 over FY 1990 is due to the cumulative increase in the number of children receiving adoption subsidies and the expected increases in administrative costs claimed on their behalf.

The amount requested will provide payments for an average monthly number of nearly 52,000 special needs children who are adopted.

Independent Living

Authorizing Legislation: Sections 470 and 477 of Title IV-E, of the Social Security Act, as amended.

1991 Authorization: Authorization expires September 30, 1992

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$50,000,000	$60,000,000	+$10,000,000

Purpose and Method of Operation - This program provides services to foster children age 16 or older to help assist them make the transition to independent living by helping them earn a high school diploma or receive vocational training; receive training in daily living skills such as budgeting, locating housing, career planning and job finding; or otherwise make the transition to independent living.

Funds are awarded to States in the form of grants. Each State is eligible to receive a proportion of the funds appropriated that is equal to the State's proportion of the national total of foster children receiving maintenance payments under the IV-E Foster Care program.

The statute, as amended, has increased the funding for the program from $45,000,000 through fiscal year 1989 to $50,000,000 in fiscal year 1990 and $60,000,000 in fiscal year 1991.

Rationale for the Budget Request - The Fiscal Year 1991 request is $60,000,000, an increase of $10,000,000 and the same as the Fiscal Year 1991 entitlement for this program. In fiscal year 1991, the States will be required to provide a 50 percent match for the funds over their share of $45,000,000. All States are expected to provide the match and receive the additional funds. In effect, this will provide at least $75,000,000 on behalf of this population.

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STATE TABLES

Foster Care
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate 1/
Total	$1,386,508,000 2/	$1,200,061,000	$2,260,803,000 3/
Alabama	1,876,455	2,156,460	3,682,916
Alaska	1,253,498	2,523,822	3,605,129
Arizona	5,040,867	6,464,046	9,233,508
Arkansas	1,299,847	2,191,953	3,131,075
California	283,303,874	232,819,143	332,568,355
Colorado	5,929,916	6,108,620	8,725,802
Connecticut	11,109,220	11,002,314	15,716,155
Delaware	773,546	1,304,987	1,864,097
District of Columbia	16,515,933	5,694,548	8,134,324
Florida	15,260,863	16,960,817	24,227,522
Georgia	14,556,434	13,193,302	18,845,851
Hawaii	173,666	74,382	230,985
Idaho	978,914	465,149	821,249
Illinois	62,184,127	51,977,694	74,247,057
Indiana	2,882,229	2,169,358	3,811,666
Iowa	6,676,411	4,955,463	7,078,584
Kansas	5,759,463	5,556,192	8,221,074
Kentucky	12,669,144	21,398,808	30,566,931
Louisiana	20,983,529	19,130,198	27,326,354
Maine	7,261,903	6,064,344	8,662,555
Maryland	31,790,825	17,780,644	25,398,596
Massachusetts	13,553,075	15,402,601	22,001,703
Michigan	85,062,733	75,491,057	107,834,503
Minnesota	31,701,276	21,553,682	30,788,159
Mississippi	1,771,372	1,023,711	1,920,536
Missouri	25,264,873	16,686,626	23,835,856
Montana	2,814,396	2,166,556	3,094,798
Nebraska	6,698,034	5,459,464	7,798,521
Nevada	1,845,603	1,633,134	2,332,835
New Hampshire	3,792,452	2,487,698	3,553,528

Foster Care
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate 1/
New Jersey	22,928,357	18,119,014	25,881,939
New Mexico	5,737,343	4,450,394	6,357,124
New York	403,909,611	375,197,622	536,194,967
North Carolina	2,996,396	2,369,257	3,384,344
North Dakota	1,968,491	1,638,234	2,340,120
Ohio	60,350,003	37,981,348	54,254,105
Oklahoma	5,960,975	5,944,693	8,491,642
Oregon	17,755,942	14,282,494	20,401,696
Pennsylvania	61,938,165	52,157,627	74,504,081
Rhode Island	9,038,293	6,077,990	8,682,048
South Carolina	6,015,651	4,837,667	6,910,320
South Dakota	2,231,962	1,971,131	2,815,645
Tennessee	5,574,713	9,877,060	14,108,795
Texas	44,785,840	36,873,297	52,671,321
Utah	2,639,593	2,161,472	3,087,535
Vermont	5,985,053	5,482,474	7,831,388
Virginia	7,103,958	7,633,637	10,904,199
Washington	12,969,295	12,392,993	17,702,656
West Virginia	8,211,300	10,255,579	14,649,486
Wisconsin	16,440,002	17,662,085	25,229,242
Wyoming	1,182,579	798,159	1,140,123

1/ - Based on proposed amendment limiting reimbursement for administrative costs to an increase of ten percent over the claims for the previous fiscal year.

2/ Includes $423,500,000 for prior-year claims and $22,192,000 reprogrammed from Title IV-E-Adoption Assistance.

3/ - Includes $544,000,000 for prior year claims.

Adoption Assistance
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Total	$111,744,000	$124,855,000	$150,480,000
Alabama	275,180	280,496	$1,155,408
Alaska	(22,330)	72,527	124,127
Arizona	972,847	938,405	1,326,407
Arkansas	411,920	519,043	581,010
California	14,356,020	19,044,578	21,520,390
Colorado	710,885	535,673	950,610
Connecticut	1,048,426	1,053,768	1,368,821
Delaware	99,886	196,133	280,845
District of Columbia	616,243	969,862	1,560,618
Florida	3,880,805	4,092,411	6,447,691
Georgia	1,015,576	802,602	1,114,398
Hawaii	39,921	36,005	48,735
Idaho	175,278	101,114	185,643
Illinois	3,550,119	4,227,907	6,239,407
Indiana	1,210,468	1,133,384	1,620,934
Iowa	536,854	461,431	838,374
Kansas	436,355	453,643	549,717
Kentucky	1,113,364	1,007,255	2,316,678
Louisiana	708,459	906,066	1,498,820
Maine	816,741	723,996	998,593
Maryland	1,067,342	993,355	1,426,947
Massachusetts	1,193,940	1,190,536	1,762,210
Michigan	11,414,459	11,832,905	14,540,166
Minnesota	914,885	1,210,137	1,217,407
Mississippi	429,165	480,697	499,605
Missouri	2,409,029	2,045,761	2,148,132
Montana	181,062	177,656	199,555
Nebraska	484,144	558,735	655,991
Nevada	80,108	70,515	128,293
New Hampshire	147,494	169,380	182,614

Adoption Assistance
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
New Jersey	4,062,907	4,909,428	3,429,998
New Mexico	1,005,152	781,275	948,915
New York	29,047,096	36,167,836	36,000,007
North Carolina	614,482	680,405	866,963
North Dakota	176,984	186,185	215,362
Ohio	10,221,684	10,534,962	12,756,505
Oklahoma	678,589	412,523	1,164,578
Oregon	581,992	499,130	824,210
Pennsylvania	2,030,874	1,463,532	2,718,906
Rhode Island	2,561,187	2,722,071	3,760,047
South Carolina	1,104,002	1,171,625	1,351,208
South Dakota	483,088	474,885	551,889
Tennessee	787,634	738,944	1,290,143
Texas	1,856,994	2,010,637	3,167,073
Utah	285,384	336,672	350,418
Vermont	1,108,942	614,134	1,201,904
Virginia	842,383	860,818	1,049,842
Washington	743,985	861,879	778,276
West Virginia	218,908	275,919	315,501
Wisconsin	2,990,208	2,824,792	4,166,449
Wyoming	66,880	41,372	83,660

Independent Living Initiative
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
Total	$45,000,000	$50,000,000	$60,000,000
Alabama	667,601	741,779	890,134
Alaska	8,378	9,309	11,171
Arizona	223,562	248,403	298,083
Arkansas	174,176	193,529	232,235
California	8,023,999	8,915,552	10,698,663
Colorado	530,906	589,895	707,874
Connecticut	485,047	538,941	646,729
Delaware	130,522	145,024	174,029
District of Columbia	701,995	779,995	935,993
Florida	634,529	705,033	846,039
Georgia	706,405	784,894	941,873
Hawaii	11,465	12,739	15,286
Idaho	68,788	76,432	91,718
Illinois	1,810,989	2,012,209	2,414,651
Indiana	655,695	728,550	874,260
Iowa	289,264	321,405	385,686
Kansas	461,235	512,484	614,981
Kentucky	508,858	565,398	678,478
Louisiana	873,084	970,094	1,164,112
Maine	363,785	404,206	485,047
Maryland	795,918	884,353	1,061,224
Massachusetts	408,762	454,180	545,016
Michigan	2,681,869	2,979,853	3,575,824
Minnesota	734,185	815,761	978,913
Mississippi	330,714	367,460	440,952
Missouri	832,517	925,019	1,110,022
Montana	156,979	174,421	209,305
Nebraska	280,004	311,116	373,339
Nevada	98,773	109,748	131,698
New Hampshire	205,924	228,805	274,566

Independent Living Initiative
State Allocations

State	1989 Actual	1990 Estimate	1991 Estimate
New Jersey	1,477,188	1,641,320	1,969,584
New Mexico	133,167	147,964	177,557
New York	7,448,116	8,275,682	9,930,820
North Carolina	672,010	746,678	896,014
North Dakota	123,466	137,185	164,622
Ohio	1,839,209	2,043,566	2,452,279
Oklahoma	398,620	442,911	531,494
Oregon	598,371	664,857	797,829
Pennsylvania	2,981,716	3,313,017	3,975,620
Rhode Island	202,397	224,885	269,862
South Carolina	372,604	414,005	496,806
South Dakota	124,348	138,165	165,798
Tennessee	500,039	555,599	666,719
Texas	1,183,955	1,315,506	1,578,607
Utah	130,081	144,534	173,441
Vermont	190,050	211,167	253,400
Virginia	875,289	972,543	1,167,052
Washington	530,465	589,405	707,286
West Virginia	335,123	372,359	446,831
Wisconsin	999,196	1,110,213	1,332,262
Wyoming	28,662	31,847	38,216

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WEDNESDAY, MARCH 28, 1990.

GENERAL DEPARTMENTAL MANAGEMENT

WITNESSES

KEVIN E. MOLEY, ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET

MICHAEL J. ASTRUE, GENERAL COUNSEL

MARTIN H. GERRY, ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

DENNIS P. WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET

Mr. EARLY. The committee will come to order.

This morning we are going to hear about the General Departmental Management and Policy Research accounts from Mr. Kevin E. Moley, the Assistant Secretary for Management and Budget.

Mr. Moley, if you want to identify who you have with you you may proceed in any way you like.

INTRODUCTION AND OPENING STATEMENTS

Mr. MOLEY. To my immediate left is Michael Astrue, our General Counsel; to his left is Martin Gerry, Assistant Secretary for Planning and Evaluation; and, to my right is Dennis Williams, Deputy Assistant Secretary for Budget.

Mr. Chairman, if I may, I would like to submit not only my statement for the record, but I believe Mr. Gerry also has a statement on Policy Research to be submitted for the record. In the interest of time, I would just like to quote a couple of paragraphs of this before submitting to questions, if I may.

Mr. EARLY. We will include the statement in its entirety and you may go ahead and summarize it.

Mr. MOLEY. Our fiscal year 1991 appropriation request totals 2,630 FTEs, including Working Capital Fund positions, and $81,400,000 in budget authority. We are also requesting authority to transfer $31,100,000 from the Social Security and Medicare trust funds. Therefore, the total obligational authority we are requesting is $112,500,000. This amount represents less than one-tenth of one percent of the total operating budget of the Department. In fact, Mr. Early, it represents less than three 100ths of one percent of our Department's total budget.

The $112,500,000 request represents an increase of $1,900,000, or about a 1.7 percent increase from last year. This increase will be used primarily to offset the effects of both the general and executive pay increases in fiscal year 1991.

That concludes my remarks before submitting to questions.

[The information follows:]

STATEMENT OF KEVIN E. MOLEY

Mr. Chairman and Members of the Committee:

I am pleased to be here today to present to you the fiscal year 1991 budget for the General Departmental Management (GDM) appropriation of the Department of Health and Human Services.

The resources included in this account will be used to support the activities of the Office of the Secretary in the following two areas: first, the functioning of the Secretary in his role as chief policy officer and general manager of the Department; and second, the operation of GDM staff components in supplying such services as personnel management, planning and evaluation, general counsel, public affairs, legislative liaison, and budget to the rest of the Department.

Our FY 1991 appropriation request totals 2,630 FTEs (including the Working Capital Fund positions) and $81.4 million in budget authority. We are also requesting authority to transfer $31.1 million from the Social Security and Medicare trust funds. Therefore, the total obligational authority which we are requesting is $112.5 million. This amount represents less than one-tenth (1/10) of one percent of the total operating budget of the Department.

The $112.5 million request represents an increase of $1.9 million over the comparable FY 1990 level. This increase will be used primarily to offset the effects of both the general and executive pay increases in FY 1991.

As you know, two years ago we reinstated the Office of the Secretary Working Capital Fund. This Fund is a mechanism by which costs are allocated to the Department's six Operating Divisions for various administrative support services provided to them on a centralized basis. Use of the Fund results in the costs of such services as payroll, personnel, accounting, and reprographics being borne by the actual recipients, while also allowing the Operating Divisions to have a voice in the selection and quality of the services they receive. The Fund is under the stewardship of a Board of Governors, composed of representatives from the Operating Divisions -- the Fund's customers. I am pleased to report that the Fund is operating successfully, and that the first annual audit of the Fund by the Inspector General disclosed no significant problems.

In FY 1990, we requested a separate appropriation for the Office of the General Counsel (OGC), which provides legal advice and representation to the Secretary and Departmental agencies on all aspects of agency operation. Instead, the Congress approved the consolidation of all OGC funding into the GDM appropriation. In previous years, OGC's activities had been funded from three separate sources. After several years of operating under these separate budgets, it became clear that this funding structure was a significant barrier to providing effective legal services to the Department. Now, with all resources for OGC consolidated within the GDM appropriation, OGC has the flexibility to meet the shifting legal needs of its many client constituencies. The FY 1991 GDM request includes 735 FTEs and $46.4 million for OGC.

In the past, the Committee has expressed concern over the Department's financial management systems. In FY 1989, my office, ASMB, took the lead in emphasizing to all Departmental managers the requirements set forth in the Inspector General Act Amendments of 1988 (IGAA) and the Federal Managers Financial Integrity Act of 1982 (FMFIA). To review the Department's compliance with these Acts, I established the Management Oversight Council, which is composed of senior officials from ASMB and the Office of Inspector General. The Council meets quarterly with each Operating Division to review their compliance with IGAA and FMFIA. Each meeting results in a report to the Under Secretary outlining corrective actions in agency internal financial and operational management controls.

The Department will make additional progress in management improvement and accountability by continuing to stress the importance of management integrity in general, and internal controls and audit follow-up in particular. The Secretary has communicated this requirement to top management across the Department; new systems and processes have been established; and additional staff have been assigned to strengthen compliance with both laws.

The first semi-annual report to Congress under IGAA was delivered on November 30, 1989. It states that, for the six months ending September 30, 1989, the Department received $82.3 million in questioned costs identified in Inspector General (IG) audits on contractors and grantees, and put to better use $455.7 million as recommended by IG reports.

In summary, I believe that the proposed FY 1991 budget request for GDM will provide sufficient resources for the Office of the Secretary to operate both effectively and efficiently. I urge your approval, and will be happy to answer any questions you may have.

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KEVIN E. MOLEY

Assistant Secretary for Management and Budget
Department of Health and Human Services

Kevin E. Moley was named Assistant Secretary for Management and Budget, Department of Health and Human Services, on May 8, 1989, by HHS Secretary Louis W. Sullivan, M.D.

Mr. Moley advises the Secretary on administrative and financial management. He is responsible for overseeing the development of the Department's budget and providing Department-wide guidance on general management operations and major policies in such areas as grants, contracts and automatic data processing systems.

From June 1986 to August 1988, he was with HHS as Director of the Health Care Financing Administration's (HCFA) Office of Prepaid Health Care. Before that, starting in December 1984, he was Confidential Assistant to the HCFA Administrator, and then served as Acting Administrator for Operations at HCFA.

Between September 1969 and August 1974, Mr. Moley worked for CNA Insurance Company of Chicago as District Group Manager, and from August 1974 to December 1983 for the New England Life Insurance Company in marketing and underwriting management positions.

Mr. Moley served as Director of Advance for the Bush-Quayle Presidential Campaign, as Director of Events for the American Bicentennial Presidential Inaugural, and was with the HHS transition team. He has also worked for the Republican National Committee and as lead staff advance for the 1984 Reagan-Bush Presidential Campaign.

In the fall of 1989, Mr. Moley served as the Director of THE PRESIDENT'S EDUCATION SUMMIT WITH GOVERNORS in Charlottesville, Virginia.

He resides in McLean, Virginia, with his wife, Dorothy, and son, Damon.

MICHAEL J. ASTRUE

General Counsel
Department of Health and Human Services

Michael J. Astrue was sworn in as General Counsel of the Department of Health and Human Services on June 27, 1989. He was nominated by President Bush on June 6, 1989, and confirmed by the Senate on June 22, 1989.

As General Counsel, Mr. Astrue provides legal advice and representation to the Secretary and other HHS officials. He directs the activities of more than 450 lawyers.

From 1988 until his appointment as General Counsel, Mr. Astrue served as Associate Counsel to the President in the Executive Office of the President. Prior to that, he was Counselor to the Commissioner of Social Security, 1986-1988. He also served at HHS as Acting Deputy Assistant Secretary for Human Services Legislation, 1985-1986.

Earlier, Mr. Astrue was an associate with the law firm of Ropes and Gray in Boston, 1984-1985; served as a law clerk for U.S. District Court Judge Walter J. Skinner in Boston, 1983-1984; and worked on the Senate staff of Richard Schweiker, also a former HHS Secretary, 1978-1979.

He is a member of the Massachusetts Bar.

Astrue was born on October 1, 1956, in Fort Dix, New Jersey. He received his bachelor's degree, *magna cum laude* with distinction in philosophy and English, from Yale University in 1978, and his J.D. *cum laude*, from Harvard Law School in 1983. He has done graduate study in public administration, statistics and governmental budgeting at Tufts University and George Washington University.

Mr. Astrue resides with his wife and two children in Silver Spring, Maryland.

Mr. **Early**. Mr. Gerry, do you want to make a statement?

Mr. **Gerry**. I believe Mr. Moley indicated my statement will be submitted for the record as well.

[The information follows:]

STATEMENT OF MARTIN H. GERRY

Mr. Chairman and Members of the Committee:

I am pleased to be here today to present the fiscal year 1991 budget request for the Policy Research appropriation in the Department of Health and Human Services. This program is managed by the Office of the Assistant Secretary for Planning and Evaluation (ASPE).

FY 1991 Funding and Goals

Our requested funding of $5 million will support policy research studies in a wide variety of HHS program areas. These studies improve our understanding of the problems underlying HHS programs and provide crucial insight into the policy approaches most likely to resolve them. These research studies thus serve to assist the Department to develop more effective policies.

In contrast to research conducted by HHS Operating Divisions, ASPE policy research studies focus on policy issues which cut across organizational and subject lines. These studies often integrate other HHS research and target the results of that research on important policy issues. They provide the Secretary with a way to explore new approaches to contemporary policy problems and to examine major public policy concerns, rather than specific program issues. Our emphasis on short-term studies allows us to respond quickly to the critical information needs of key decision-makers.

Most of our studies planned for FY 1991 will address critical issues of national concern, such as long-term care, access to health care, the cost and quality of such care, and strengthening the family. Many of the studies will address concerns of our society's most vulnerable people -- those with severe disabilities, those who are seriously ill, those living in poverty, the frail elderly, families in crisis, and children. Traditionally, over 50 percent of the funds for Policy Research are used to address issues concerning persons and families in poverty.

Major Areas of Focus

Given the small size of the Policy Research program, we must focus our research each year on a few key areas. For FY 1991, there are four:

1. Improving Access to Affordable and High Quality Health Care

One of Secretary Sullivan's goals is to improve the access of all Americans to affordable and high quality health care. Our continuing work in this area will focus on the following: understanding the causes of rapidly rising costs; examining ways to control these costs effectively; examining gaps in health care coverage and ways to close them; and looking at issues concerning the quality and organization of care.

This year, much of our work will support the Secretary and Under Secretary in responding to the President's charge in his State of the Union Message to review current health care and long-term care policies, and recommend needed reforms to improve access and control spiraling costs. We are providing the principal research and analysis for this very substantial Policy Research effort. This work will continue at least through FY 1991, and will necessarily involve the analysis of many complex issues and options of great importance to this nation.

Other studies planned for FY 1991 will examine the following: ways to improve care for disadvantaged pregnant women and children; strategies for providing health, mental health, and social services to Medicaid-eligible children in school-based settings; prospective payment policies for hospital capital costs; cost, access, and quality effects of HMOs and other managed-care options; and other quality of care issues, particularly care in rural areas.

2. Strengthening the Family

Another of Secretary Sullivan's goals is to strengthen the family, through programs such as: Head Start; home and community-based health services; the new JOBS and child care programs in the Family Support Act; joint efforts between the Social Security Administration and the Administration on Developmental Disabilities to support the successful transition of persons with developmental disabilities from school to work; and new strategies to support and stabilize families at risk.

We will continue to examine issues concerning homeless families and families with other special problems, such as children with problems related to AIDS or substance abuse, adolescent parents, and older family members requiring home-based care. With regard to welfare dependency issues, we will focus particularly on the impact and effectiveness of dependency reduction strategies being implemented under the Family Support Act and within our State-administered welfare demonstrations. Policy Research will also examine the cost-effectiveness of, and ways to enhance, other support services for welfare recipients, and will continue research into both the factors that lead to long-term dependency and the policies to counter them.

3. Improving Long-Term Care, and the Well-Being of the Elderly and Persons with Disabilities

In FY 1991, we will continue research and analysis on desirable reforms of the long-term care financing and delivery systems, as part of the Secretary's effort to improve access to health care. In particular, we will expand our long-term care financing model to permit us to examine interactions among acute and long-term care use and expenditures. We will also examine the impact of various long-term care financing options on the elderly and their families.

We will create a new data base to improve our understanding of why so many elderly persons on Medicaid are entering nursing homes, paying special attention to the impact of disability on the income and assets of persons with disabilities living in the community. We will also begin new research on whether the supply of nursing home beds is keeping pace with demand, and the effects on Medicaid clients who need nursing home care.

Finally, we will initiate new research and demonstrations to develop and evaluate innovative approaches to organizing, financing, delivering, and assuring the quality of health, habitation, and community services to persons with severe disabilities, including children.

4. Improving Delivery of Services

HHS administers several hundred programs; other Federal agencies also operate a substantial number of human resource programs. This complex structure of programs, each with its own set of rules and funding sources, often inhibits efforts to provide an effective set of support services and other assistance to those who need help the most -- disadvantaged children, homeless persons, and persons with severe disabilities, for example. As a final priority, we are planning research and demonstration initiatives to explore strategies to improve the coordination, integration, and delivery of services.

Conclusion

In conclusion, the Policy Research program administered by ASPE is a very modest investment to support an effective vehicle for conducting research on current policy concerns and emerging issues. I believe this program has contributed significantly to our understanding of difficult and important social policy issues, and will continue to do so in FY 1991.

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MARTIN H. GERRY

Assistant Secretary for Planning and Evaluation
Department of Health and Human Services

Martin H. Gerry was sworn in as Assistant Secretary for Planning and Evaluation, Department of Health and Human Services, on February 2, 1990. He was nominated by President Bush on November 10, 1989, and confirmed by the Senate on January 30, 1990.

As Assistant Secretary for Planning and Evaluation, Mr. Gerry is the Secretary's principal advisor on the formulation and analysis of policy. His responsibilities include the development of legislative proposals, oversight of economic and policy analysis and budget, evaluation of Department programs to ensure that policies and regulations are consistent, and monitoring of policy and program implementation.

Mr. Gerry was born in San Francisco on January 3, 1943. He received both his Bachelor of Arts degree (English Literature, 1964) and his law degree (J.D., 1967) from Stanford University. From 1967-1989, he served as an associate attorney with the New York law firm of Nixon, Mudge, Rose, Guthrie, Alexander & Mitchell. He joined the Department of Health, Education and Welfare in 1969, was assistant to Secretaries Elliot Richardson and Casper Weinberger from 1970-1974, and was Director of the Office for Civil Rights from 1975-1977.

During 1989, Mr. Gerry served as a visiting scholar at Stanford University, where he conducted policy research on a range of social policy questions. From 1977-1989, he was Special Counsel to the Wednesday Group of the U.S. House of Representatives (a group of approximately 35 Republican members of the House) and as President of the Policy Center for Children and Youth in Washington. In the latter position, he provided consulting assistance to State and local agencies on the development of regulations, policies guidelines, and interagency agreements to implement the requirements of numerous Federal laws.

Mr. Gerry is a member of ~~the Bars of~~ New York State, the District of Columbia, and the U.S. Supreme Court. Among the articles he has written are "Cultural Myopia: The Need for a Corrective Lens," "Future Implications for Advocacy," "Section 504 of the Rehabilitation Act, HIV and AIDS: Legal Implications," "An Omnibus Legislative Package for Persons with Disabilities" (with C. McWhorter), and "Policy Implications of Full Inclusion Models" (with W. Sailor and W. Wilson).

He resides in Bethesda, Maryland, with his wife, Beatrice, and one daughter.

BACKGROUND OF MR. MOLEY

Mr. **Early**. How long have you been Assistant Secretary for Management and Budget?

Mr. **Moley**. Since May 9th of last year. Prior to that, I was in the transition office of the Secretary. I also served earlier in the Department in the Office of Prepaid Health Care during the Reagan administration.

Mr. **Early**. How many Secretaries have you served under?

Mr. **Moley**. This is my third—Madam Heckler, Governor Bowen and now Secretary Sullivan.

OS OBJECTIVES

Mr. **Early**. What are your main objectives for the Office of the Secretary in the coming year? What do you expect or hope to accomplish?

Mr. **Moley**. We are in a transition phase. Mr. Gerry and I just last week briefed the senior staff of the Department on a new planning and budgetary process which takes into account the changing situation. In some respects, we liken it to the Department of Defense. In 1981, when President Reagan came into office, DOD went about implementing a strategic plan in terms of the kinds of goals they wanted to achieve. We are looking to do that now in the Department of Health and Human Services.

It was just a couple of years ago, as you well remember, Mr. Early, that our programs were subject to debate in the administration as to whether they should be privatized, whether certain programs should be block grants, and other things.

Now, within our planning process and within the Immediate Office of the Secretary, we are engaging in a level of strategic planning that we don't believe has been done before—at least in the scope in which we are intending to do it.

BIOMEDICAL RESEARCH FUNDING

Mr. **Early**. What bothers me is when we don't live up to our word. We told a lot of the organizations like cystic fibrosis under President Reagan to go raise money on their own and we would match it. They raised an awful lot of money. I have not seen anything from the Congress, either Democrats or Republicans, to complement what we said we would do.

Mr. **Moley**. Mr. Early, I can only say, as I think you know from Secretary Sullivan's testimony, the highest priority for the Department's money is biomedical research.

Mr. **Early**. We always just get a lot of rhetoric, but we don't get the actions that back it up, not just Secretary Sullivan, but other secretaries as well.

Mr. **Moley**. We asked for substantial increases in 1989, 1990 and 1991 on AIDS, for instance. That has been the most significant single increase within the whole area of biomedical research in recent years. As you know, last year we asked for a 24 percent increase, and this year we are asking for more than a 7 percent increase. Obviously, as the AIDS funding base is built and the annual increases lessen, we would hope to be able to move into other areas, particularly Alzheimer's and schizophrenia, and areas where there are cross cutting issues, for instance affecting the homeless in the area of schizophrenia.

Mr. EARLY. Do you have reservations when we address AIDS and take money away from other areas? I think that is wrong.

Mr. MOLEY. To a certain degree. We recognize that although AIDS is one of our major priorities, it does in fact have much cross-fertilization with respect to research that impacts other areas. Clearly, there are other elements to biomedical research that I am sure the Secretary would like to emphasize in the coming budget cycle.

MANAGEMENT AND STRATEGIC PLANNING

Mr. EARLY. Were there any significant departmental changes in the area of management in the past year?

Mr. MOLEY. There has not been a fundamental reorganization of the Department. There has been, I think, a very definite change in how the Department is managed and is viewed.

There was a recent GAO report, Mr. Early, released in February, which took the Department to task for not having the kind of strategic planning that we are currently involved in. We believe that that report, which was done during the last couple of years of the Bowen administration, reflected a very different set of circumstances than is in effect currently. Secretary Sullivan has charged us at two separate retreats, and through a number of other actions, to correct this situation. So we are now moving toward a strategic plan for the Department.

Mr. EARLY. The only thing wrong with strategic plans and studies is, we never implement the studies. In this morning's paper there is an article about the Energy Department's studies and how they hid them. What is happening at HHS is happening with everyone. When we talk about planning and studies, in this member's eyes, we are really either delaying, deferring, or just being irresponsible.

Mr. MOLEY. Maybe a couple of examples of what I am talking about will help, because I think we want to move beyond rhetoric and talk about specific items.

Mr. EARLY. I would appreciate that.

Mr. MOLEY. There was a decision made in the Department of the Navy that if they were going to win two and a half wars, they would need 600 ships. Whether other people agreed with them or not, that was the decision. Then there was a question of when they would get those ships. They had a vision and a goal of what they believed they needed.

In our Office of Human Development Services, we now have a commitment from the President on Head Start. We want to make sure all eligible four-year olds who are not served by other programs have the benefit of at least one year of the Head Start experience. As you know, we have asked for an increase of $500,000,000 to cover this. I think our strategic planning process is responsible for the significant progress on this issue because, whether our goal is reached in the 1992 budget or the out years, we at least know where we are going with respect to our responsibilities. We know the Secretary has made a commitment to serve all eligible four-year-olds. We have estimates as to how much that will cost. Then it becomes a question of what kind of resources we can bring to bear, both from the administration's perspective and the Congress'. We know that in the Bush term in office, whether it be four years or eight years, we want to accomplish this goal.

What we are looking to do now is to set those kinds of goals in other areas of HHS. It is going to be a particularly daunting task in the health services area, particularly NIH. There it is not just a question of the number of competing grants, but also of funding and where the grants are directed by area of research.

Mr. Early. We always seem to make some sort of commitment or plan. Whether it is a five year plan or a seven year plan, we never live up to that plan or commitment in the second, third and fourth years. Why shouldn't the goal be, whether it is science or a specific disease, to do what it takes to accomplish that task? I just hope that we are going to implement what you are suggesting with Head Start, rather than just talk about it.

VACANCIES IN TOP HHS POSITIONS

Are there any vacancies in the top positions in the Office of the Secretary and, if so, what are they?

Mr. Moley. Two principal offices remain to be filled. One hopefully will be taken care of this week.

Mr. Early. Which office is that?

Mr. Moley. The Assistant Secretary for Family Support Administration. Joanne Barnhart, I believe, has a hearing today and we expect a vote to be taken later this week.

The other position is the Director of the National Institutes of Health, which still remains unfilled. There is a search committee under the auspices of Dr. Mason in which Dr. Sullivan is taking a very active role.

Mr. Early. I think the President has offered people that position. I think it speaks well for him in making the necessary decisions, but it does not speak well for the system. If the Director had suggested 15 years ago that he was leaving NIH, that position would have been filled immediately.

Also, for the record, would you expand as far as vacancies up at the top, how long such vacancies have existed, and when you think you might fill such vacancies.

[The information follows:]

VACANCIES IN TOP HHS POSITIONS

Vacancy	Date postion became vacant	Estimate date to be filled
Assistant Secretary for Legislation	Jan. 26, 1990	Mid-May 1990.
Commissioner, Food and Drug Administration	Dec. 17, 1989	Search committee underway; appointment expected soon.
Director, National Institutes of Health	July 31, 1989	Search committee underway; appointment expected soon.
Administrator, Agency for Health Care Policy Research	News agency required by legislation.	Position establishment pending.

Mr. Moley. Indeed, if I might mention one other thing, there are two additional slots that have been temporarily filled. One is the

FDA Commissioner slot formerly held by Dr. Frank Young. He has been transitioned into the Office of the Assistant Secretary for Health, and there is an effort under way to find a permanent replacement for him. The other slot is the Assistant Secretary for Legislation. Jerry Olson, left to go back to the private sector, and his principal deputy is filling that position currently.

ADEQUACY OF BUDGET REQUEST

Mr. EARLY. Your 1991 budget request that is before the Committee for the Departmental Management account, including trust funds, is $112,450,000, an increase of $1,940,000 over 1990, or an increase of less than two percent.

Is this budget keeping up with inflation?

Mr. MOLEY. It would not appear so this year. But you may recall, Mr. Early, last year we got an increase of 11.7 percent, which we devoted principally to office automation. So there are some areas in which we are ahead of the power curve and there are some areas where we are not. The increase we are asking for is almost entirely eaten up by the pay raise.

Mr. EARLY. Would you characterize this as a very tight budget request?

Mr. MOLEY. We believe it is, Mr. Chairman. As I said, it reflects less than three 100ths of one percent of the Department's total budget. I think that management of major private corporations has been moving in the direction of smaller centralized office staffs, with delegations of authority along a flatter range of organizational structures. That has been shown to improve cost-effectiveness, and I think to a large extent we are mimicking that. We do, however, need some glue to hold a Department of our size and varying responsibilities together. I think that is what the Office of the Secretary reflects with respect to its various offices: the General Counsel's Office, the Assistant Secretary for Planning and Evaluation, ourselves, and the Assistant Secretary for Personnel.

PAY RAISE COSTS

Mr. EARLY. You show a reduction on page 5 of nearly $3,000,000 for "absorption of personnel-related increases." Can you explain what this represents?

Mr. MOLEY. In previous years—and Dennis, correct me if I misstate this—in previous years, we were not permitted to budget for the pay raise. In budgeting for fiscal year 1991, we have been allowed by OMB to show the costs of an estimated 3.5 percent pay raise effective January 1, 1991, as well as the costs in the first quarter of fiscal year 1991 of the January 1990 pay raise. However, we are choosing to absorb much of these costs through certain cost reductions within the General Departmental Management account.

Mr. EARLY. Aren't you presenting us with a totally unjust or dishonest budget? You know that expense is going to be in there.

Mr. MOLEY. The total cost is allocated within the GDM account. In previous years, it wasn't even shown as a cost to us because it had not been enacted. We are taking into account what we believe we will actually be spending along these lines.

Mr. **Early**. How much have you budgeted for the proposed January 1991 Federal pay raise?

Mr. **Moley**. Let me give you that exactly if I may, Mr. Chairman. For the January 1991 pay raise, we have budgeted $1,704,000.

Mr. **Early**. What is your estimate of the total cost of the pay increase in fiscal year 1991?

Mr. **Moley**. The $1.7 million represents three-quarters of the total calendar year cost because, as you know, the pay raise is on a calendar year basis. However, as far as our fiscal year 1991 budget request is concerned, the $1.7 million does represent our total fiscal year cost.

Mr. **Early**. What is the cost of the 3.6 precent pay raise in fiscal year 1990?

Mr. **Moley**. The annualized cost in fiscal year 1991 of the January 1990 pay raise comes to $580,000.

Mr. **Early**. How are you absorbing that?

Mr. **Moley**. We are absorbing part of all our pay-related costs, Mr. Early. We anticipate a total of about $4,800,000 in pay-related cost increases. We intend to absorb almost $3,000,000 of that, and are asking for only a 1.7 percent increase, or $1.9 million, in our budget request.

There are a number of reductions which will enable us to make this absorption. Last year, as you may remember, the 11.7 percent increase we received was in large measure devoted to office automation. So we will now reduce somewhat our information resource management efforts.

There will also be a reduction of about 25 FTE in the Office of the General Counsel.

OFFICE AUTOMATION

Mr. **Early**. I want you to provide for the record what you spent last year for office automation, what your plan is, the timeframe of how long your plan, and if this budget is going to allow you to fulfill your commitment.

[The information follows:]

Office Automation Plans and Expenditures

Listed below is a summary of the funding from the General Departmental Management account for OS office automation. The initial year for such funding was fiscal year 1988:

Fiscal year:	*Million*
1988	$4.5
1989	2.8
1990	2.0
1991	1.0

This funding plan supports the following office automation activities: purchase of personal computers; Local Area Network (LAN) hookups; and applications development. It does not include funding for personnel and related activities.

HEAD START FUNDING

Mr. **Early**. I yield to Mr. Dwyer.

Mr. **Dwyer**. Thank you, Mr. Chairman.

I have no questions but I would like to reflect upon the excellent statement you made regarding Head Start. That is not new money, is it?

Mr. **Moley**. Absolutely.

Mr. **Dwyer**. But it is coming from other programs, is it not?

Mr. **Moley**. No, sir.

Mr. **Dwyer**. If it is not coming from any other program——

Mr. **Moley**. It represents the largest increase in the 25 years of the Head Start program. The second largest request was last year, for $250,000,000, of which Congress gave us about three-quarters of that amount.

Mr. **Dwyer**. Isn't there a $63,000,000 reduction in community service block grants?

Mr. **Moley**. That is requested in the Family Services Administration's 1991 budget; that is correct.

Mr. **Dwyer**. Isn't there also a $140,000,000 reduction in the health professions, so that really it is not new money? The money is really coming from other programs. I just wanted to have that on the record.

Thank you, Mr. Chairman.

FISCAL YEAR 1990 FUNDING REDUCTIONS

Mr. **Early**. You incurred reductions in 1990 as a result of the Gramm-Rudman sequester and the across-the-board salaries and expense reductions.

What effect have these reductions had on Departmental Management?

Mr. **Moley**. By virtue of it being a transition year and there being an awful lot of new people on board, I am not too sure that we have noticed, at the senior level of new staff, the impact of that money. I would defer to Dennis for any specifics.

Mr. **Williams**. The sequester amount was absorbed in much the same way we talked about with respect to personnel costs. Automation activities were reduced slightly. But the overall amount of the sequester was really very small, 1.4 percent, so the impact was quite minimal on overall operations.

Mr. **Early**. How did you allocate the $15,000,000 salaries and expenses reduction among the Department's operating divisions?

Mr. **Williams**. We allocated those reductions by the relative proportions of our Operating Divisions to the overall HHS budget, and in relation to the projected increases in their budgets between fiscal years 1989 and 1990.

GDM STAFFING LEVELS

Mr. **Early**. How many employees are currently on board in General Departmental Management, including the Working Capital Fund?

Mr. **Moley**. We have approximately 2,505 employees currently on board.

Mr. **Early**. That would include the Working Capital Fund?

Mr. **Moley**. Yes, it would.

Mr. **Early**. How many of these employees are in your field offices?

Mr. **Moley**. About half.

Mr. **Early**. What is your personal opinion of that distribution? Should there be more or less employees in your field offices? Let's say we don't increase the current number of employees. Where do you believe the employees should be allocated?

Mr. **Moley**. I am inclined to think that that decision would have to be made on an ongoing basis. In fact, there are different theories as to whether or not we should do more or less in our regional offices. We are trying to move toward a Working Capital Fund type of arrangement in the various regional offices government-wide. There is something called Cooperative Administrative Support Units, or CASUs, which use Working Capital Fund types of arrangements in the regions.

Mr. **Early**. What are your full-time equivalents for 1990 and 1991?

Mr. **Moley**. In other words, the difference between what I said we have now and what we are going to in 1991?

Mr. **Early**. Yes. I want the ceilings. What are the ceilings for FTEs for 1990 and 1991?

Mr. **Moley**. In fiscal year 1990, Mr. Early, it is 2,656 and in fiscal year 1991, 2,630.

Mr. **Early**. So it is a decrease.

Mr. **Moley**. Yes, it is almost entirely from the Office of the General Counsel.

ITEMS FOR THE RECORD

Mr. **Early**. For the record, provide the following:

A summary of the so-called 43A report for the entire Department concerning information resource management.

Also provide a breakdown by operating division within the Department of space rental charges for 1989 through 1991. Also show the number of square feet and the charge per square foot for office space.

[The information follows:]

UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES

FY 1991 INFORMATION TECHNOLOGY SYSTEMS BUDGET

The Department of Health and Human Services requests the following resources to support Information Technology Systems (ITS) in FY 1991:

TOTAL OBLIGATIONS
(dollars in thousands)

Operating Division	FY 1989	FY 1990	FY 1991	FY 91 % of Total
Public Health Service	$253,452	$313,918	$310,601	35.5%
Health Care Financing	77,426	61,753	66,760	7.6%
Social Security Admin	436,633	398,849	452,836	51.8%
Family Support Admin	8,320	15,592	8,055	0.9%
Human Development Services	3,610	4,241	4,401	0.5%
Office of the Secretary	29,915	30,762	32,076	3.7%
TOTAL	$809,356	$825,115	$874,729	100.0%

TOTAL WORK-YEAR EQUIVALENTS
(FTE)

Operating Division	FY 1989	FY 1990	FY 1991	FY 91 % of Total
Public Health Service	1,796	1,825	1,911	22.5%
Health Care Financing	510	510	510	6.0%
Social Security Admin	6,077	5,733	5,636	66.4%
Family Support Admin	30	30	30	0.4%
Human Development Services	26	26	26	0.3%
Office of the Secretary	350	360	370	4.4%
TOTAL	8,789	8,484	8,483	100.0%

REPORT ON OBLIGATIONS FOR INFORMATION TECHNOLOGY SYSTEMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OBLIGATIONS FOR INFORMATION TECHNOLOGY SYSTEMS

1. Capital investments ($000)	FY 1989	FY 1990	FY 1991
A. Purchase of hardware	$145,444	$128,227	$110,834
B. Purchase of software	14,151	15,001	12,861
C. Site or facility	7,071	5,210	13,424
Subtotal	$166,666	$148,438	$137,119
2. Personnel			
A. Compensation, benefits, and travel ($000)	$316,946	$317,650	$323,227
B. Workyears	(8,789)	(8,484)	(8,483)
Subtotal	$316,946	$317,650	$323,227
3. Equipment rental, space, and other operating costs ($000)			
A. Lease of hardware	$ 8,333	$17,456	$23,244
B. Lease of software	5,825	6,707	7,575
C. Space	15,969	16,282	17,116
D. Supplies and other	13,789	16,883	18,806
Subtotal	$43,916	$57,328	$66,741
4. Commercial services ($000)			
A. ADPE time	$ 6,836	$ 6,858	$ 7,586
B. Voice communications	49,285	59,192	70,081
C. Data communications	25,464	25,344	26,791
D. Operations and maintenance	85,363	92,882	96,876
E. Systems analysis, programming, design, and engineering	47,795	51,175	60,734
F. Studies and other	12,995	12,710	18,588
G. Significant use of information technology	—	—	16,912
Subtotal	$227,738	$248,161	$297,568

REPORT ON OBLIGATIONS FOR INFORMATION TECHNOLOGY SYSTEMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(Continued)

5. Interagency services ($000)	FY 1989	FY 1990	FY 1991
A. Payments	$55,552	$54,955	$52,850
B. Offsetting collections	-1,847	-1,801	-3,192
Subtotal	$53,705	$53,154	$49,658
6. Intra-agency services ($000)			
A. Payments	$78,304	$72,479	$80,011
B. Offsetting collections	-78,304	-72,479	-80,011
Subtotal	$ 0	$ 0	$ 0
7. Other services ($000)			
A. Payments	$385	$384	$416
B. Offsetting collections			
Subtotal	$385	$384	$416
TOTALS			
Total Obligations ($000)	$809,356	$825,115	$874,729
Workyears	(8,789)	(8,484)	(8,483)

SPACE RENTAL CHARGES BY OPERATING DIVISION

OPDIV	Fiscal Year	GSA Space Rental Charges ($000)	Square Footage (000)	Charge Per Square Foot
PHS	1989	$69,426	4,926	$14.09
	1990	77,920	5,168	15.08
	1991	88,306	5,797	15.23
HCFA	1989	14,546	802	18.14
	1990	14,983	802	18.68
	1991	16,151	828	19.51
SSA	1989	277,756	24,743	11.23
	1990	287,882	24,639	11.68
	1991	300,014	24,480	12.26
FSA	1989	6,011	246	24.43
	1990	5,185	246	21.08
	1991	5,360	280	19.14
HDS	1989	5,636	264	21.35
	1990	4,907	236	20.79
	1991	4,997	234	21.35
OS	1989	21,918	1,098	19.96
	1990	26,005	1,200	21.67
	1991	27,397	1,227	22.33
TOTAL	1989	$395,293	32,079	$12.32
	1990	416,882	32,291	12.91
	1991	442,225	32,846	13.46

SPACE REDUCTION EFFORTS

Mr. EARLY. What further progress has been made in reducing the amount of space per employee throughout the Department?

Mr. MOLEY. There is a GSA standard of 135 feet per workstation, Mr. Early, and at this time we believe we meet that standard.

Mr. EARLY. Is there any effort to reduce that?

Mr. MOLEY. I don't believe there is. We have purchased systems furniture that we are installing over time throughout the Humphrey building and in other areas. This furniture is specifically designed to conform to the GSA 135-foot standard.

IRM PLANNING

Mr. EARLY. On page 29 you mention a "Departmental Strategic Plan" for Information Resources Management. Can you tell us how this plan was developed and how it will be implemented?

Mr. MOLEY. That plan, Mr. Early, works in concert with our budget process. It mimics our budget development process which, as I mentioned earlier, we outlined to our senior staff just two weeks ago. Our procedures for fiscal year 1992 budget development take into account the larger element of goal-setting and strategic planning. The IRM strategic plan follows those same time lines in terms of budget formulation and development, and strategic planning.

GAO MANAGEMENT REVIEW OF HHS

Mr. EARLY. In February of this year, the General Accounting Office issued a so-called management report on the Department. Are you familiar with that?

Mr. MOLEY. Yes, I am.

Mr. EARLY. Would you place the executive summary of that report in the record at this point?

[The information follows:]

Executive Summary

Purpose

Secretaries of the Department of Health and Human Services (HHS) have shouldered tremendous responsibilities for budgets totaling several hundred billion dollars, for hundreds of programs, and for decisions that affect the health and welfare of millions of Americans. Some have been remarkably effective in executing their responsibilities. Others were less successful.

The responsibilities given to the Secretary of HHS cannot be executed by that person alone. The Secretary needs a cohesive management team operating together to carry out those responsibilities. The Office of the Secretary is the HHS component charged with assisting the Secretary in administering and overseeing the Department's organization, programs, and activities. Shortcomings in its organization or operations will impede the Secretary's ability to carry out his or her responsibilities. With this in mind, GAO reviewed the role and activities of the Office of the Secretary to assess its effectiveness and to identify ways in which its management processes and structures could be improved.

HHS Environment

HHS presents one of the more massive and complex management challenges in the federal government. Organized into five major operating divisions and the Office of the Secretary, the Department has an annual budget of $401 billion—the largest of any federal department—and a direct work force of 116,000. HHS is responsible for some 200 very different programs, having diverse designs, program delivery concepts, and purposes. Some programs are directly administered by HHS components; others, by HHS contractors; still others, by state and local governments, which often have substantial flexibility in designing the programs to suit their local needs. No fewer than 23 congressional committees have jurisdiction over HHS's programs and activities. (See pp. 12 to 15.)

The nature of the Secretary's management task has changed over the 36-year history of the Department. During the Department's formative years, the Congress gave the Secretary responsibility and staff to oversee common departmental administrative activities, such as personnel and financial matters, but kept program responsibility with component-level officials. As the Department grew, the Secretary gained greater responsibility for most HHS programs and policies. Staff were added to the Office of the Secretary to handle planning, evaluation, legislative, and public affairs functions. (See pp. 19 to 23.)

GAO's review of the Office of the Secretary's activities and operations spanned administrations dating from Secretary Gardner's through Secretary Bowen's. GAO interviewed current and former top-level Department officials; consulted with public policy experts and panels of former top-level HHS management officials; administered a questionnaire to current managers and senior staff to gain their perspectives on factors influencing the Office of the Secretary's effectiveness; and evaluated the office's management activities, operations, policies, and systems. (See pp. 16 to 18.)

Results in Brief

Secretaries of HHS are responsible for providing policy leadership and overseeing departmental administrative matters and programs. Some Secretaries have achieved successes with policy initiatives that personally interested them, but have been less successful in addressing other important issues confronting the Department and the nation.

GAO believes that Secretaries' capacity to effectively manage their tremendous responsibilities has been hampered by the lack of an effective management system within the Office of the Secretary. With such broad responsibilities and tenures averaging less than 2 years, Secretaries need a management system that structures the Department's activities and provides information on how well it is working.

Such a management system must help Secretaries understand and identify emerging policy and management issues, establish clear goals and objectives for these issues, and develop strategies to accomplish the goals and objectives. In addition, the system must include accountability dimensions that allow the Secretary to monitor and track the Department's progress in achieving its goals and objectives, oversee the operations of programs and activities that have been delegated to others, and provide feedback to and communicate with the Department's components.

Systems of various designs have been used effectively by certain past Secretaries, and elements of these systems, such as an executive clearance and decision-making process, remain in use today. Yet other important elements of an effective management system, such as departmental strategic planning and monitoring and oversight systems, are missing today. No secretarial management system has stayed intact long enough to provide stability to the Department's basic operations. Such a system needs to be comprehensive enough to enable the Secretary to fulfill the broad responsibilities of the office, yet flexible enough so that successive Secretaries can adapt it to their own management styles.

Principal Findings

Establish the Strategic Planning Element of a Secretary's Management System

Departmental strategic planning is a key element missing from the Office of the Secretary's management system. A planning process helps the Secretary establish departmental goals and objectives, develop implementation strategies, monitor and track progress in achieving them, and communicate with and provide feedback to the Department. Without strategic planning, communications, coordination, and decision making in the Department can be handicapped. A majority of the HHS officials GAO surveyed believed that adding a strategic planning element would have a positive effect on the Department's activities and operations, such as crisis management, staff knowledge about future operations, and short-range decision making. (See pp. 27 to 36.)

Enhance the Decision-Making Element of a Secretary's Management System

HHS's decision-making processes tend to be slow, but when properly used they are generally effective in assuring that decision makers consider the right information, evaluate alternatives, and consult with appropriate parties. In reviewing a number of specific HHS decisions, however, GAO found that their quality or timeliness has suffered when the clearance process has been used inappropriately.

To manage the large volume of decisions that the Secretary must make, the Office of the Secretary has used a clearance process, designed to ensure that the Secretary obtains the knowledge and perspective of Department officials before making a decision. In some instances, when allowing officials to bypass the clearance process, Secretaries made decisions that they later reversed. In other cases, decisions were delayed because Secretaries did not act to resolve disputes that arose in the clearance process.

In one case GAO examined, a decision was delayed 4 years when departmental officials disagreed about whether to ban interstate sales of raw milk—a product that was known to cause illness and sometimes death. In this case, HHS was sued because of its inaction and finally acted under a court order. (See pp. 37 to 50.)

Establish Clear Lines of Authority and Accountability

Since 1981, Secretaries have appointed chiefs of staff to assist in managing the Department. The involvement of chiefs of staff in various departmental matters, such as major personnel and policy decisions, often has overlapped with and caused confusion over the formal duties and responsibilities of other senior officials within the Office of the Secretary. For example, GAO found redundant responsibilities and unclear lines of authority between the Under Secretary and the chief of staff. Chiefs of staff generally have had greater access to the Secretary than other senior officials, whose influence was thereby lessened. Also, the roles and responsibilities of some Office of the Secretary units do not match existing mission and function statements, further confusing the lines of authority within the office.

Secretaries typically have retained authority for policy activities and delegated authority for managing day-to-day administrative and program activities to others. In an organization with so many diverse activities and programs, decentralized management is appropriate as long as it is balanced with adequate accountability and control. The Secretary must hold those officials to whom authorities have been delegated accountable for results.

Recent Secretaries have used few formal or informal means to monitor delegated activities to assure themselves that programs and activities are being managed effectively and efficiently. HHS managers and senior staff reported that the Office of the Secretary's oversight of departmental activities and programs was weak. In addition, top-level management officials said they had limited access to the Secretary. (See pp. 51 to 60.)

Implement Strategic Work-Force Planning

HHS does not have a Department-wide, coordinated approach for systematically addressing its work-force problems. The Department is experiencing operational and program changes that have major implications for the size and skill needs of its work force. While some operating divisions have attempted to solve their own work-force problems, their initiatives have generally lacked the comprehensive perspective needed to match human resources to changing operational and program objectives. Secretaries and the Office of the Secretary have played a limited role in addressing departmental work-force issues. Strategic work-force planning could help the Department (1) ensure that personnel actions support program objectives and (2) address its work-force problems. (See pp. 62 to 71.)

Continue Strengthening Management of Information

Information management problems in many HHS programs have caused or contributed to difficulties in providing good service. For example, inaccurate and incomplete data on HHS's child support enforcement program made it difficult for the Department and the Congress to assess the program's performance. Before 1986, the Office of the Secretary's efforts to improve HHS's management of information were unsuccessful, because it had attempted to exert too much direct control over operating divisions' information management activities.

More recently, however, the Office of the Secretary adopted a more participatory management approach and initiated several measures to strengthen HHS's information management, including the hiring of staff with strong technical skills in top-level positions. The Office of the Secretary's actions are promising. But additional emphasis and sustained attention need to be given to several important information management activities, including planning, policy development, information resources management reviews, and skill development. (See pp. 72 to 81.)

Sustain Efforts to Improve Financial Management

HHS has had longstanding problems in establishing an effective departmental financial management system. Two past attempts to correct these problems were unsuccessful because of technical difficulties, cost constraints, and inadequate support from operating components. A promising new departmental effort to modernize financial management systems is underway. However, top-level support, adequate funding, and a skilled financial management staff will be needed to assure the success of this modernization effort. (See pp. 82 to 88.)

Recommendations

GAO's key recommendation to improve the management of HHS is that the Secretary establish a secretarial management system that would include

- a departmental strategic planning process to identify emerging policy and management issues, establish goals and objectives for the future of the Department's operations and the nation's health and human services programs, and develop alternative strategies to accomplish the stated goals and objectives and
- an accountability dimension that would monitor and track the Department's progress in achieving its goals and objectives, oversee the operation of departmental programs and administrative activities that have been delegated to others, and provide feedback to and communicate with the Department's components.

GAO also is recommending that the Secretary . . .

- enhance the decision-making process by establishing means to resolve significant disputes promptly and preventing individuals from circumventing the process;
- clarify and formally communicate the authorities of key departmental leaders and adhere to such lines of authority;
- define the duties and responsibilities of a chief of staff, should the Secretary appoint one, so that they do not conflict with those of other high-level departmental officials;
- establish a departmental strategic work-force planning effort; and
- continue recent efforts to upgrade financial and information management within the Department. (See pp. 36, 50, 60, 71, 81, and 88.)

Agency Comments

In commenting on a draft of this report, HHS said the Secretary would give serious consideration to GAO's recommendations as he proceeds with his administration's management initiatives. HHS, however, did not specify any actions it plans to take to address GAO's recommendations for improving departmental management. HHS's general comments are included in this report as appendix V. HHS also provided technical comments, which GAO incorporated into the report as appropriate.

Mr. **Early**. The report states on page 3 and I quote:

> The GAO believes that Secretaries' capacity to effectively manage their tremendous responsibilities has been hampered by the lack of an effective management system within the Office of the Secretary . . . important elements of an effective management system such as departmental strategic planning and monitoring and oversight systems are missing today. No secretarial management system has stayed intact long enough to provide stability to the Department's basic operations.

That is frightening to me. That is a real negative statement. What is your reaction to that statement by the GAO?

Mr. **Moley**. I agree with that statement for the time period which it reflects. As I indicated earlier, Mr. Early, that report was done in the last couple of years of the Bowen administration. We have taken it into account. We have come independently to some of those same conclusions, specifically in relation to strategic planning. We have taken a number of steps with respect to planning in general, and not just strategic planning, but the planning that the Secretary does on a day-by-day basis. I think that the report in large measure, as I said, reflects the problems that the Department has had previously.

Mr. **Early**. I want you to provide for the record at this time all the specific steps you have taken to address this problem.

Mr. **Moley**. Certainly.

[The information follows:]

RESPONSE TO FINDING IN GAO MANAGEMENT REVIEW OF HHS

To ensure that the Office of the Secretary is most effective in carrying out its Departmental management activities, we have implemented the following planning processes to insure systematic development and review:

Use of periodic senior staff retreats for review of strategic plans and development of management and policy issues;

Establishment of set planning activities, including systematic development and monitoring of Departmental objectives and milestones called the "Secretary's Initiatives", which also include the Presidential MBOs tracked by OMB;

Use of the Policy Council, chaired by the Under Secretary, to develop, track and coordinate key policy issues, including the Secretary's Initiatives;

Establishment of regular monthly updates for senior staff by Operating Divisions and units of the Office of the Secretary on issues which may require top level coordination;

Conduct of daily meetings, chaired by the Secretary, with key staff, including the Under Secretary, the Chief of Staff and the Executive Secretary, to keep on top of current activities and impending issues;

Establishment of clear role definitions for key staff, including the Under Secretary, Chief of Staff and Executive Secretary;

Enhancement of the role and functions of the Executive Secretariat, which now coordinates schedules, briefings, and regulations and correspondence review;

Commitment to improvements in management support systems through such activities as the Phoenix Project, for enhancement of Departmental financial systems, strategic plans for Departmental information management, and human resources management; and

Establishment of regular monthly one-on-one meetings between the Secretary and each Assistant Secretary to review plans.

Mr. **Early**. Mr. Dwyer.

HEALTH CARE FOR THE UNINSURED

Mr. **Dwyer**. Thank you, Mr. Chairman.

I was reading your budget here. On page 14 under accomplishments, you list development of programs to provide health care for the uninsured and underinsured. What has occurred there?

Mr. **Moley**. There are a number of efforts under way. The principal effort reflects the charge given by the President to Secretary Sullivan in the State of the Union Message to look into the problem of access to health care for the uninsured and underinsured. There is now within the Department a committee chaired by Constance Horner, our Under Secretary, to look into those matters.

As you know, there was a recent report issued on this topic by the Pepper Commission. A similar charge has also been given to the Quadrennial Commission, the Social Security Advisory Council chaired by Deborah Steelman. But the principal effort is being undertaken in the Department by our Under Secretary.

Mr. **Dwyer**. It says here that this is under accomplishments. That sounds like a program you just recited, quite frankly. It says here you enlisted support from the state and local governments to explore alternative avenues of payment. Can you expand on that?

Mr. **Moley**. There is a meeting under way in the Department even as we speak, Mr. Dwyer—a long-running meeting on health policies on this issue, chaired by the Under Secretary, with outside experts from not only state and local government but insurance companies and providers of health care and others. This is, in fact, an ongoing effort.

Mr. **Dwyer**. It might be that it is in a wrong column.

Mr. **Williams**. Part of the convention of this document is that it is a justification for the 1991 budget. In the accomplishment section, we normally take the opportunity to address not only what was done in 1989 but what is ongoing in 1990. It is just part of the convention of the document.

Mr. **Dwyer**. It is a little confusing to a person like myself. You have accomplishments and you have anticipated accomplishments.

Mr. **Williams**. Perhaps we can make it clearer the next time.

REDUCING DEMAND FOR ILLEGAL DRUGS

Mr. **Dwyer**. I would think so.

In the development of strategies for the Department with respect to reducing the demand for illegal drugs, what is going on there?

Mr. **Moley**. We now have an Office of Drug Abuse Policy within the Office of the Secretary, newly created under Mark Barnes, who is our liaison with the Office of National Drug Control Policy under Dr. Bennett. In fact, as you know, we have the charge for drug prevention and education. Martin, do you want to speak to that?

Mr. **Gerry**. The Office Of Drug Abuse Policy has done several things already this year. As we indicated earlier, the description of accomplishments in our 1991 budget justification also covers the balance of this fiscal year, 1990.

The goals of the Office are obviously consistent with those set down by Dr. Bennett, but our focus will primarily be on those programs that have the most impact. We have had ongoing meetings with the Department of Education, as the chairman suggested, in terms of outreach to young people and educational materials on the dangers posed by drug abuse. We are looking—and we spend quite a bit of time in my office, as well as in the Secretary's office, looking—at the impact of substance abuse on crack babies and other babies that suffer from conditions related to drug abuse during pregnancy. The Department is committed to a total effort to find various strategies that we can use to do two things. One is to reduce and prevent drug abuse in the first place, and secondly, to come up with appropriate and efficient strategies to respond to some of the tremendous social problems that are being created by that abuse.

Mr. **Dwyer**. I asked the question because every time you speak to a different agency with regard to drugs, you keep hearing about interdiction, but you very rarely hear about education. In this effort on your behalf, do you anticipate there will be some type of unusual or innovative program with regard to drug abuse?

Mr. **Gerry**. A lot has already been done developing that. I know Dr. Bennett has been involved with that. We are also very much involved in looking at the specific consequences of drug abuse, not the interdiction issues. Part of that will be education. We believe that there are probably many young women who become pregnant who do not understand the consequences of continuing to use drugs, not only on themselves but on the babies that are born later.

AIDS EDUCATION EFFORTS

Mr. **Dwyer**. Don't get involved in interdiction because you will be stepping on more toes than you can count. There is a lack of education out there.

On AIDS, tell me about your on-going efforts and your work with the National Commission on AIDS. Are you monitoring its progress, evaluating its further needs, and so on? What is going on there?

Mr. **Moley**. The major responsibilities with respect to AIDS are, obviously, almost entirely within our Department. We have asked for a substantial increase, both in the last fiscal year as well as in fiscal year 1991, to fund these efforts. There was a 24 percent increase last year, and now a more than 7 percent increase in fiscal year 1991 that we are asking the Congress to fund.

Specific efforts that are under way would be better answered, Mr. Dwyer, by the people at NIH and the Public Health Service. We can get you more on that for the record.

Mr. **Dwyer**. I suppose what I was really asking about was the recommendation by the former Surgeon General, who prepared a second pamphlet. Has that been mailed out as yet?

Mr. **Moley**. I honestly don't know that, but we can find out for you.

Mr. **Dwyer**. I understand it was held up because it was too descriptive or too educational.

Mr. **Moley**. We will get back to you on that. I honestly don't know.

Mr. **Dwyer**. I see heads going different ways.

Mr. **Gerry**. In my office, we are involved in a fairly major Policy Research effort that focuses on pediatrics, and we realize there is a lot of work that needs to be done to try to study the effects of AIDS programs for children. We have an increasing number of children born with AIDS, and most institutions have not been accustomed to dealing with the health care problems involved in these cases. I am thinking more about child care institutions, and even Head Start programs, where we need to do quite a bit more work because we have an increasing population of young children with AIDS.

Mr. WILLIAMS. I think what you may be referring to is the nationwide mailing which took place about a year ago now. There was a lot of discussion about the content of that document but, in the end, those issues were resolved, and the mailing did take place about a year ago to all households in the country.

Mr. DWYER. It is my understanding this is a second pamphlet which was a continuation of pamphlet 1 and the last I read the second pamphlet was still not mailed out.

Mr. WILLIAMS. Then we are not well-informed on that. We can provide more on that for the record.

Mr. DWYER. If we have an effort, we might as well conclude that particular effort.

Thank you, Mr. Chairman.

[The information follows:]

AIDS/HIV EDUCATION PAMPHLET

-The Department has recently approved an AIDS education pamphlet on using condoms as a means for preventing the spread of AIDS and HIV infection. This pamphlet, scheduled to be printed in May 1990, will be available upon request from the AIDS/HIV Information Clearinghouse at the Centers for Disease Control. We do not anticipate mailing this pamphlet to every household in the country, as was done with the "Understanding AIDS" brochure in 1988.

GAO MANAGEMENT REVIEW OF HHS

Mr. EARLY. The GAO management report states on page 7 that in commenting on the report, HHS did not specify any action it plans to take to address GAO's recommendations for improvement in Departmental Management.

Has the Department subsequently prepared a specific response to the recommendations?

Mr. MOLEY. No, we have not proposed a specific response to the recommendations. We have, in fact, independently taken a whole host of actions which you previously asked us to submit for the record, and we will be more than glad to do so. These actions include monthly updates for senior staff by the Operating Divisions and daily staff progress meetings held by the Secretary. There is a whole host of processes that we independently determined were necessary to fill a void that we found. We have not specifically responded to that GAO report. We take exception to a great deal of the GAO report's conclusions in that they reflect, as I said, a study that was done in the Department during Dr. Bowen's tenure. We don't think it is appropriate, quite frankly, for us to comment in specificity as to what was or was not done in Dr. Bowen's tenure. We will be more than glad to submit for the record what I think you will find is a whole host of planning activities that have been implemented since Dr. Sullivan took office.

Mr. EARLY. I don't really know why you won't respond, even if it is Bowen's tenure. I would think you have to respond to GAO's criticisms or recommendations, whatever you want to call them.

Mr. **Moley**. Mr. Early, I have in fact signed out a letter which is shown, I believe, as the last appendix to the GAO report, and in which we do comment on the report itself.

Mr. **Early**. I have seen that, but it is very general and vague. I think we should get away from that and get to the specifics, especially to the criticism. We will look at that when you respond for the record.

Mr. **Moley**. It is our intention to make planning a hallmark of the Sullivan administraton, for a number of institutional reasons which I don't believe were done during the previous administration.

Mr. **Early**. You aren't suggesting that you are not going to respond to GAO's report?

Mr. **Moley**. We are taking exception to this specific report.

Mr. **Early**. I don't mind if you take exception, but you should respond. Then say we take exception, and then list the exceptions 1, 2, 3. Don't you think that would be a better approach?

Mr. **Moley**. It may in fact be, if only by virtue of this discussion.

ADVISORY AND ASSISTANCE SERVICES

Mr. **Early**. Also for the record, supply a copy of the Inspector General's recent report on contracts for advisory and assistance services.

For the record, is this report supposed to be submitted to Congress as part of the President's budget?

[The information follows:]

OIG Review of Contracts for Advisory and Assistance Services

Yes, pursuant to Title 31, United States Code, Section 1114, this report is to be submitted to the Congress each year as part of the President's budget.

A copy of this report has been supplied to the Committee under separate cover.

Mr. **Early**. About how much did the Department spend last year on advisory and assistance services contracts?

Mr. **Moley**. Somewhere over $150,000 under the OS account. The Department itself spent, I believe, somewhat in excess of $50,000,000 and we in fact——

Mr. **Early**. Supply a specific amount for the record.

Mr. **Moley**. Yes, sir.

[The information follows:]

Fiscal Year 1989 Obligations for Advisory and Assistance Services

The Department's FY 1989 obligations for Advisory and Assistance Services were as follows:

[In thousands of dollars]

Operating division	*Obligations*
Public Health Service	$25,874
Health Care Financing Administration	2,593
Social Security Administration	988
Family Support Administration	948
Human Development Services	11,078
Office of the Secretary	5,188
Subtotal, Labor/HHS Appropriation	$46,669
Food and Drug Administration	2,603
Indian Health Service	1,749

Operating division	*Obligations*
Office of Consumer Affairs	5
Total, HHS	$51,026

Mr. EARLY. Are you generally satisfied with the way in which the contracts are being used throughout the Department?

Mr. MOLEY. That is, in fact, the subject of a study. We are submitting on a quarterly basis to the Congress a report on exactly where and for what that money is going.

OFFICE OF THE GENERAL COUNSEL

Mr. EARLY. In the 1990 bill, we consolidated funding for the Office of General Counsel in the Departmental Management account. Has this been a satisfactory solution to the funding problem?

Mr. MOLEY. I will defer to the General Counsel, if I may.

Mr. ASTRUE. It has been very helpful to us to be able to best use our resources to support the efforts of the Secretary. Particularly this year, where there has been a dramatic drop in the Social Security caseload, the ability to shift resources without separating accounts has been quite helpful in achieving optimum use.

OGC STAFFING

Mr. EARLY. How many full-time equivalent staff does the Office of General Counsel have in 1990?

Mr. ASTRUE. We have 760. We will be reducing that in 1991 to 735.

Mr. EARLY. Why are you proposing to reduce it? That is 25 FTEs?

Mr. ASTRUE. Mr. Chairman, we expect to be able to reduce for several reasons. First of all, as I indicated, the Social Security caseload has dropped rather dramatically. In fact, the statistics for the first four months of this year are significantly lower than projected, indicating that for the year the numbers will be below the Department's original expectations. We originally projected a caseload of about 10,500 new cases. If the trend in the first four months is any indication, we will actually see only about 6200 cases. And Social Security is a big part of our workload.

We have also taken other steps. We have put a freeze on lateral hiring, and we are emphasizing the recruitment of top-notch students out of law school. I think we stretch the Office of General Counsel dollar better by doing that.

SOCIAL SECURITY CASELOAD

Mr. EARLY. Why, Mr. Astrue, are the Social Security cases dropping off so drastically?

Mr. ASTRUE. That is a matter of some internal discussion, Mr. Chairman. I don't know that we have a complete answer for that. Some of it is the result of legislative changes. As you know, there were a number of significant policy battles in the disability area during the 1980's. A number of those were resolved either by the Congress or the courts in a way that is more likely to allow for benefits being granted to recipients and, therefore, there is less litigation.

In addition, Commissioner King has initiated a number of efforts to try to improve the accuracy of the disability determination proceedings.

Likewise, in SSA's Office of Hearings and Appeals there are ongoing efforts to try to do a better and more accurate job. I think that that, combined with overall structural changes in the program, have produced this result where the caseload seems to be dropping rather dramatically.

Mr. EARLY. Is this the only organization in Departmental Management that is being cut back in 1991?

Mr. MOLEY. In FTE?

Mr. EARLY. Yes.

Mr. MOLEY. I believe it is, Mr. Early.

OGC WORKLOAD

Mr. EARLY. Do you have significant workload backlogs in the General Counsel's Office?

Mr. ASTRUE. I would not consider them to be significant backlogs. Certainly, there will be some stresses in certain areas. We are trying to be nimble and juggle our resources appropriately, but we expect to be able to handle the work that we have in fiscal year 1991.

Mr. EARLY. For the record, provide a list and short description of the dozen or so most significant court cases that the Department was involved in last year.

Also supply for the record a summary of the backlog as far as the number of cases, et cetera.

Mr. ASTRUE. I would be pleased to, Mr. Chairman.

[The information follows:]

HHS COURT CASES IN 1989

Following is a listing of the most significant court cases in which the Office of the General Counsel (OGC) was involved on behalf of the Department in 1989. The cases are grouped by client, and the name of each case is followed by the name of the court in which the case was argued.

I. SOCIAL SECURITY ADMINISTRATION

Sullivan, et al. v. Everhart, et al. (U.S. Supreme Court)

In this case, the Federal government successfully defended its policy of determining the proper amount of an individual's Social Security or Supplemental Security Income payment by offsetting the amount of all incorrect payments for a period against each other and establishing a single underpayment or overpayment for that period. The Supreme Court, on February 21, 1990, found that this policy was consistent with the Social Security Act and was a reasonable interpretation of the statutory provisions defining the procedures which the Federal government must follow in determining the amount of incorrect payments and recovery of overpayments. OGC devoted substantial resources to the defense of Everhart in the Supreme Court, working very closely with the Department of Justice.

Sullivan v. Zebley, et al. (U.S. Supreme Court)

In Zebley, the Supreme Court, on February 20, 1990, found to be invalid a major part of the Supplemental Security Income (SSI) regulations which provide the standards which must be used in determining the disability of children who claim SSI benefits. This decision requires that the Social Security Administration (SSA) consider an individualized assessment of the impact of a condition on a child's ability to function. OGC devoted substantial resources to the defense of Zebley in the lower courts and the Supreme Court, and is continuing to expend significant resources in assisting SSA in the implementation of this case.

Sullivan v. Hudson (U.S. Supreme Court)

In this case, the Supreme Court ruled on June 12, 1989, that attorney fees were available under the Equal Access to Justice Act (EAJA) for legal services in connection with an individual's Social Security benefit claim before SSA after a court remand. Prior to this decision, only time spent in court on a Social Security matter was eligible for fee awards under this statute. However, the Court found that administrative proceedings on remand may be so closely connected to court proceedings as to be considered part of the civil action for purposes of an attorney fee award under the EAJA. OGC worked very closely with the Department of Justice in defending this matter.

Sullivan v. Finkelstein (U.S. Supreme Court)

The Supreme Court has agreed to review this case, and it will be argued on April 24, 1990. Finkelstein presents the issue of whether a district court remand decision directing SSA to process a Social Security claim on remand under a standard which SSA believes is erroneous is an appealable order. The Federal government maintains that these orders should be appealable because important legal issues would not be subject to review if immediate appeal were unavailable. The Circuit Courts of Appeals are split on this issue, and the law in this area is thus inconsistent. OGC is working very closely with the Department of Justice on this case.

II. HEALTH CARE FINANCING ADMINISTRATION

Bowen V. Georgetown University Hospital, et al. (U.S. Supreme Court)

The Supreme Court held that the retroactive 1984 Medicare Wage index rule is not authorized by the rulemaking authority included in the statutory definition of reasonable cost, or by the Secretary's general authority to issue regulations necessary to implement the Medicare program. In 1983, the District Court invalidated the wage index component of the 1981 Medicare cost limits for lack of compliance with the notice and comment requirements of the Administrative Procedure Act (APA). After providing notice and opportunity for public comment, the same wage index rule was reissued in 1984 and applied retroactively to the 1981 cost limits. The District Court invalidated retroactive application of the 1984 regulation, and the U.S. Court of Appeals for the District of Columbia Circuit affirmed.

The Supreme Court (per Justice Kennedy) first stated that while an agency's rulemaking authority is generally limited to the power delegated by Congress, retroactivity is not favored in the law; thus, retroactive rulemaking should not be sustained absent an express statutory grant. The Court rejected the contention that the "suitable retroactive corrective adjustments" provision in the Medicare statute constituted express authority for retroactive rulemaking. The Court held that this provision applies only to case-by-case adjudication. The Court further held that the statutory provisions establishing the Secretary's general rulemaking power contain no express authorization of retroactive rulemaking.

III. BUSINESS AND ADMINISTRATIVE LAW

Tyger Construction Company, Inc. v. United States (U.S. Claims Court)

This litigation concerns the construction of an FDA facility in Beltsville, Maryland. The project is almost four years behind schedule and has been plagued with numerous problems, including defective masonry, paint and plaster, faulty HVAC (mechanical) systems, and numerous structural defects. It is estimated that the claims and liquidated damages assessed by the government will total over $20,000,000. These cases, and others to be filed by the government, will be consolidated. The Court has ruled that discovery may proceed and new claims may be filed. The trial and other proceedings have currently been postponed until the building has been completed, so that the total extent of the claims will be known and all litigation can be resolved in one case.

IV. FOOD AND DRUG ADMINISTRATION

United States v. Boden (Northern District of Illinois)

In February 1990, three former owners and officials of Bodine's, Inc., formerly a Chicago-based major manufacturer of fruit juice products, were sentenced to prison terms and substantial monetary fines. The defendants had pled guilty in December 1989 to adulteration of frozen, concentrated orange juice. The offenses occurred as part of a massive scheme to substitute low-cost inferior ingredients in juice that was labeled and sold as pure, unsweetened, frozen concentrated orange juice. The illegal scheme resulted in excess profits of more than $100 million, making this the largest fraud case ever prosecuted by the FDA.

V. INSPECTOR GENERAL

Inspector General v. Burditt (Departmental Appeals Board)

This is the first civil monetary penalty case against a physician for violation of the "Anti-Dumping" statute set out at section 1867 of the Social Security Act. This statute prohibits the transfer of a hospital emergency room patient if the patient has an emergency medical condition or is in active labor. The Inspector General prevailed at trial and the case is on administrative appeal before a three-judge panel of the Departmental Appeals Board.

Inspector General v. Hanlester Network, et al. (Departmental Appeals Board)

This is the first case seeking exclusions from Medicare and the State health care programs for violation of the "Anti-Kickback" statute, Sec. 1128(b)(7)(b) of the Social Security Act. This statute prohibits the payment of remuneration in exchange for the referral of Medicare or State health care program business. This case (against six entities and three individuals) is highly significant in that it alleges, for the first time, that dividends paid as a return on investment can constitute an illegal kickback. The case is scheduled to go to trail in August before an administrative law judge.

VI. FAMILY SUPPORT ADMINISTRATION

Sullivan v. Stroop, et al. (U.S. Supreme Court)

This case raises the issue as to whether child's insurance benefits paid under Title II of the Social Security Act are subject to the Aid to Families with Dependent Children (AFDC) $50 per month child support disregard under section 402(a)(8)(A)(vi) of the Act. The U.S. Court of Appeals for the Fourth Circuit issued a decision in this case in 1989 that requires Title II child's insurance benefits to be treated as child support for purposes of the AFDC disregard. The Department sought review in the Supreme Court through certiorari. The case has been fully briefed and argued and we are awaiting an opinion from the court.

VII. PUBLIC HEALTH SERVICE

Commonwealth of Massachusetts v. Sullivan (First Circuit)

This case involves the question of whether 1988 HHS regulations restricting the provision of abortion-related services by grantees funded under Title X of the Public Health Service Act violate the statute or the First or Fifth Amendments to the Constitution. The suit was filed in February 1988 in the Federal District Court in Massachusetts by the Commonwealth of Massachusetts, several organizational plaintiffs, and a number of private plaintiffs. One of the organizational plaintiffs, the National Family Planning and Reproductive Health Association, represents approximately 85 percent of the Title X provider community.

The District Court permanently enjoined the operation of the regulations in March 1988. The Court held that the program integrity portion of the regulations was inconsistent with the regulations. The Court further held that the remainder of the regulations violated the First and Fifth Amendments to the constitution -- essentially on the ground that the regulatory restrictions on abortion referral and counseling create an unconstitutional obstacle to abortion, and that the prohibitions on the encouragement or promotion of abortion constitute an impermissible discrimination on the basis of viewpoint.

The U.S. Court of Appeals for the First Circuit affirmed the decision of the district court in May 1988. The Federal government requested a rehearing of the decision en banc, and on March 19, 1990, the court's decision, which essentially affirmed its prior decision, was handed down. The injunction of the District Court continues in effect and prohibits the Department from enforcing the regulations against those providers covered by the injunction. The Department has 90 days from entry of the decision to seek review of the decision by the Supreme Court.

Rust v. Bowen (Second Circuit)

In this case the issue raised is the same as that in Massachusetts above, namely, whether the 1988 regulations issued by the Department restricting the provision of abortion-related services by grantees founded under Title X of the Public Health Service Act violate either the statute or the First or Fifth Amendments to the Constitution. Following publication of the regulations, the suit was filed in the Southern District of New York in February 1988 by the State of New York, the City of New York, and various other public and private plaintiffs. The District Court upheld the regulations on all grounds in June 1988 and the plaintiffs appealed. The Court of Appeals likewise upheld the regulation on all grounds in a decision issued on November 1, 1989.

Subsequent to the District Court decision, the plaintiffs sought and obtained a stay of the order, pending appeal. This has essentially been continued following the decision of the Court of Appeals, which the plaintiffs now seek to have reviewed by the Supreme Court. As a consequence, the 1988 regulations have not yet gone into effect in New York (the area covered by the suit).

The plaintiffs have filed a petition for a writ of certiorari with the Supreme Court. The Federal government's response is due May 5, 1990. We anticipate that the government will not oppose the plaintiffs' petition, in light of the split that has developed in the Circuit Courts.

Gay Men's Health Crisis, et al. v. Sullivan (Southern District of New York)

The issue raised in this case is whether legislation and Centers for Disease Control (CDC) guidelines which place limits on the sexually-explicit content of AIDS information materials are constitutional. Five gay health organizations that receive or seek Federal funds for AIDS education and prevention activities filed suit against the Department in October 1988, challenging the constitutionality of the 1988 Helms Amendment and the CDC grant guidelines on the content of AIDS materials. The plaintiffs maintain that the Helms Amendment and CDC grant terms have prevented them from producing sexually-explicit AIDS educational materials which they deem necessary to reach persons at highest risk of infection.

In December 1989, the District Court issued an opinion which found moot all of the plaintiffs' Helms Amendment claims, but left open the questions of whether CDC's grant guidelines for the production of AIDS educational materials are unconstitutionally vague or had been applied to the plaintiffs in violation of their constitutional rights.

Subsequently, the District Court ordered that the parties enter into settlement discussions under the supervision of a U.S. Magistrate on the issues still undecided in the lawsuit (particularly the vagueness and "as applied" claims).

On March 22, 1990, the CDC published in the Federal Register a proposal to revise its AIDS content guidelines, requesting comments from grantees and other interested persons. CDC has notified the court of the publication and suggested that rather than entering into settlement discussions, they will receive the plaintiffs' written comments on the proposed revisions during the scheduled comment period.

PENDING CASES

As of February 28, 1990, OGC's pending litigation caseload, broken out by client, was as follows:

Social Security Administration	29,979
Health Care Financing Administration	1,275
Public Health Service	625
Food and Drug Administration	521
Business & Administrative Law	329
Inspector General	250
Family Support Administration	205
TOTAL	33,184

In addition to representing the Department in both administrative and judicial litigation, OGC also provides the following services: preparation of legal opinions; legal review of legislation, regulations, contracts and other documents; and provision of informal legal advice. The number of requests for such services received in fiscal year 1989 and projected for fiscal years 1990 and 1991 are:

Fiscal year:	
1989	106,848
1990	110,023
1991	114,337

SOCIAL SECURITY LAWSUITS

Mr. **Early**. On page 59, you mention defending against "broad-based Constitutional challenges to the Social Security programs." What do you have in mind here?

Mr. **Astrue**. Mr. Chairman, at any given point in time, there tend to be approximately 30 major class actions against the Social Security Administration. That tends to be a fairly stable number. Most of them are filed by various legal services or offices around the country.

VACCINE INJURY COMPENSATION ACT

Mr. **Early**. What is the role of the General Counsel's Office under the Vaccine Injury Compensation Act?

Mr. **Astrue**. Mr. Chairman, there has been some significant discussion of that in the Department, and some legislative clarification with the legislation that was enacted last year. Essentially, we provide support to the Department of Justice, which represents the Federal government to the extent it is represented in these proceedings. The proceedings were designed to be essentially non-adversarial in nature, so our role is more one of advising the court than defending a governmental position.

We have, I believe, two FTEs in our Public Health Service Division devoted to this task, plus a number of PHS physicians. I don't know the precise number of physicians off the top of my head.

Mr. **Early**. In your opinion, is the new vaccine compensation law working out as envisioned by the administration?

Mr. **Astrue**. It had a rocky start. In the administration's view, a number of procedures adopted by the Court of Claims were inconsistent with Congressional intent. Basically, the short version is that the Court made the hearings by the special masters more legalistic, more adversarial in nature. I think the Congress essentially concurred with the administration in this judgment, because that view is reflected in the legislative amendments enacted this year.

Mr. **Early**. It would seem to this member that this was a program in which the judiciary didn't know what we were doing when we did it.

We have several other questions, Mr. Moley, which we will include in the record. I want to thank you and your associates for your testimony.

Mr. **Moley**. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record and the justifications follow:]

FUND AVAILABILITY FOR ASPE

Mr. Natcher: In addition to Policy Research funds, what other funds are under the general control of the Assistant Secretary for Planning and Evaluation?

Mr. Gerry: There are two other sources of funds: General Departmental Management (GDM), and One Percent Evaluation funds. A certain percentage of some program funds are set aside for the Secretary's use for evaluation purposes. These set-aside funds are primarily from programs of the Public Health Service (PHS) and, to a very limited extent, from the Office of Human Development Services (OHDS). My office carries out evaluations which focus on issues of immediate concern to the Secretary.

Mr. Natcher: How much does this amount to in 1990 and 1991?

Mr. Gerry: In FY 1990 we will spend $7.2 million. We have not determined what will be spent in FY 1991. Such plans are usually formalized just prior to the beginning of the next fiscal year, and are based upon the most current evaluation needs of the Department.

HEALTH INSURANCE COVERAGE

Mr. Natcher: How many people in this country are without some kind of health insurance coverage?

Mr. Gerry: Based on our estimates using the Current Population Survey, in 1988 a total of 32.7 million people were without health insurance.

Mr. Natcher: What kinds of studies are you undertaking with respect to this problem?

Mr. Gerry: In the Department's analysis of the uninsured, data is being drawn from a number of sources, including the Current Population Survey and the National Medical Expenditure Survey. In addition, Departmental agencies have contracted for external simulation modeling and data collection and analysis. Finally, ASPE has contracts for actuarial analysis of expected increased demand for health services under broadened health insurance coverage, and projections of employment-based insurance availability and characteristics. Information collected through these initiatives is being evaluated and incorporated, as appropriate, into alternatives being prepared by my office and other agency staffs for Executive Branch policy decision-making.

SIGNIFICANT ASPE STUDIES

Mr. Natcher: For the record, provide a list and short description of the most significant studies completed by your office during the past year.

Mr. Gerry: The following are a few of the most significant studies performed during the past year:

Accidents and Injuries in the U.S.: Costs, Compensation and Claiming Behavior

As important background to exploration of medical malpractice tort reform, ASPE — using its "policy research" authority — funded with RAND Corporation a survey-based replication of the British study, "Sources of Support and Compensation for Illness and Injury." That study examined how a set of "victims" of illness and injury (including accidents, claimed medical negligence, claimed product liability-caused injuries, etc.) found medical and financial support — e.g., through tort-based claiming activities, medical insurance, workman's compensation programs, Social Security disability, and other approaches. The results of this study are germane to consideration of collateral offset proposals for medical malpractice tort reform. However, as demonstrated by the sources of financial support found, their implications are far broader than simply medical malpractice, tort reform or health care per se. Indeed, the study's findings not only have import for a variety of programs, but help illuminate basic social science research as well.

Medicare Reimbursement Policy for Inpatient Psychiatric Services

ASPE completed two studies this year examining issues relevant to Medicare payment for inpatient psychiatric services. The first analyzed data on high users of selected State psychiatric hospital systems, providing the first data available on the utilization experience of patients who exceed 190 days of care in State psychiatric hospital systems. The information from this study is important to the ongoing policy debate regarding changes to the 190-day lifetime limit. The second study resulted from the recognition that the TERRA payment system for psychiatric care would need to be maintained on a longer-term basis than originally anticipated. This study examined how well the TERRA payment system was working, and explored the feasibility of making refinements to the TERRA payment methodology. This information will be of use in policy development for the TERRA payment system.

Examining the Resource Costs in Hospital Outpatient Departments

ASPE has just received the final report for a project conducted in FY 1989 by the Center for Health Policy Studies examining the resource costs required to produce clinic, emergency room, and ambulatory surgery care in Hospital Outpatient Departments compared with the reported costs of these services recorded on the Medicare cost report. The study also compares the resource costs of ambulatory surgery procedures in studied hospitals with a sample of freestanding ambulatory care surgery centers in the same cities.

An Analysis of Assistance to the Elderly Poor Under the Supplemental Security Income (SSI) Program

This study provides an examination of the interaction of SSI with other government programs serving the elderly. It determines the total level of income support provided to SSI recipients when other program benefits are included. Additionally, it evaluates the adequacy of survey and program data available, including recommendations on additional statistics and research needed to evaluate Federal and State policies in the SSI area. This study provided information about the characteristics of program participants and their participation in SSI and other assistance programs that will assist us in addressing policy issues.

The Retirement Earnings Test and Retirement Incentives

The Social Security retirement earnings test (RET) resulted in the reduction of a retired individual's benefit by 50 cents for every dollar above $8400 in 1988. This study will provide econometric estimates of how the labor supply (hours) and the retirement decision of individuals aged 65-69 would be affected by changes in the RET. The Administration and the Congress have been debating the necessity of the retirement earnings test and retirement incentives in Social Security. This project was intended to examine the effect of changes in Social Security on individuals' decisions to retire.

Foster Care Data Systems

ASPE provided funding for a grant with New York and Illinois to improve their data systems used to track foster care children, to make them comparable so data can be analyzed across states, to document those systems for use by other states, and to transfer the system to Michigan. These data systems, which are capable of tracking children in foster care, have provided unique information on such issues as recidivism and the use of relative care. This information has been shared with Congressional staff.

HEALTH STUDIES OF NUCLEAR WEAPONS PLANT WORKERS

Mr. Conte: Today's Washington Post said that Energy Secretary Watkins will turn over to HHS responsibility for long-term health studies of workers at nuclear weapons plants. The good Admiral will be working with you on a "memorandum of understanding" for management of long-term research projects. Do you have some ideas on how you will develop these studies?

Mr. Moley: Dr. James Mason, the Assistant Secretary for Health, has been in contact with the Department of Energy about managing its ongoing long-term health studies of workers at nuclear weapons plants, and we have indicated our willingness to accept this responsibility. No further details about this shift in managerial responsibility have been finalized yet, but I expect that our initial step will be to review the contents of these epidemiological studies before determining how to proceed scientifically.

Mr. Conte: Do you know which HHS agencies might be involved in the studies' development?

Mr. Moley: We are continuing to work with the Department of Energy on the particulars of accomplishing this very recent decision to transfer management for these long-term health studies to HHS. The Public Health Service will be working with NIH and the Centers for Disease Control to determine which agency will assume the lead and how the responsibilities will be divided.

WORKING CAPITAL FUND FTES

Mr. Conte: The Working Capital Fund which you manage has been up for two years now. This year's budget requests a $5.5 million increase with the same number of FTEs. Are the FTEs sufficient for the increased workload you are projecting?

Mr. Moley: Yes, the requested FTE level for the Working Capital Fund (WCF) is sufficient. The requested $5.5 million increase relates primarily to items which do not require additional FTEs, such as contracts, ADP systems improvements, GSA Rent and related services, and 50 percent of the general and executive pay raises.

OPDIV CONTRIBUTIONS TO WCF

Mr. Conte: How are the contributions of the six HHS divisions who participate in the Fund determined?

Mr. Moley: The WCF is a financing mechanism which allows the Office of the Secretary (OS) to bill individual HHS Operating Divisions (OPDIVs) for the services they receive. These billings are based upon either actual measured usage or on an allocation formula using FTE employment levels. Our goal is to establish service charges based on actual usage ("fee-for-service") for as many WCF activities as possible. In FY 1991, approximately 73 percent of all WCF charges to the OPDIVs will be billed on a fee-for-service basis, with the remaining 27 percent billed on an allocation basis.

Under fee-for-service, billings are done on a cost per unit basis, with the unit cost based upon the actual cost of performing a specific service. While unit costs will normally remain constant throughout a fiscal year, the total charge to an OPDIV may vary from the budgeted amount because of the volume of service required, i.e., if the volume of units actually used by an OPDIV varies from the estimated level, the total charge for a fee-for-service activity may also vary from the budgeted amount.

All fee-for-service billing rates and allocation billing percentages are approved in advance by the WCF Board of Governors, the Fund's governing body, which is comprised of representatives from each OPDIVs and each WCF activity.

EVALUATION OF WCF ACTIVITIES

Mr. Conte: How are you evaluating the effectiveness of the activities run by the Fund?

Mr. Moley: The effectiveness of the Fund's activities are evaluated in several different ways. The WCF Charter requires that periodic financial audits and economy/efficiency reviews be conducted. The FY 1988 Financial Statement Audit, conducted by the Inspector General's office, included a comprehensive review of the Fund's operations, financial statements and balances. This audit was completed on April 14, 1989, with no significant weaknesses identified in the final audit report.

Economy/efficiency reviews are periodically conducted to determine if services are being provided in the most efficient and economical manner possible. The WCF Board of Governors determines the functional areas to be reviewed and analyzed.

The WCF's commitment to fee-for-service billing also serves to evaluate the Fund's effectiveness, by allowing a direct comparison to the rates charged by outside service providers. If equivalent service can be obtained at a cheaper price, the WCF Charter allows the OPDIVs to obtain service from an outside source. This provision ensures that the WCF activities will continue to provide quality service at a reasonable cost.

CONSOLIDATION OF OTHER SERVICES INTO WCF

Mr. Conte: What other services do you think would benefit from consolidation in the future?

Mr. Moley: Prior to FY 1988, when the WCF was enhanced, a comprehensive review and analysis was undertaken to identify those activities which would benefit from consolidation into the WCF. The activities identified were added to the Fund in FY 1988, and now constitute the restructured WCF. Because this review and analysis was undertaken so recently, no additional activities have been identified for consolidation, except the personnel support function for Social Security Administration (SSA) field offices and Program Service Centers. The consolidation of this function into the WCF Regional Personnel activity is part of our FY 1991 request.

There are other centralized OS services which have been periodically reviewed to determine whether they would benefit from the WCF's consolidated billing and financial management structure. These activities, such as the Fitness Center at HHS headquarters and the Southwest Training Center, are currently handled under reimbursable agreements with the OPDIVs. However, none of these activities is currently being proposed for inclusion in the WCF.

OFFICE OF THE GENERAL COUNSEL

Mr. Conte: The OGC funding was consolidated under the GDM appropriation, instead of the previous multiple sources of funding. How has this change resulted in improved services?

Mr. Astrue: Under the consolidated funding, the Office of the General Counsel (OGC) has had the flexibility of assigning cases to attorneys according to actual workload. This has been a distinct advantage in being able to handle more work, as well as being able to cross-train our attorneys in other areas of law. We no longer have to worry about funding shortages in one account and surpluses in another. We now have the flexibility of being able to hire and promote, and to purchase equipment, supplies, and other materials on an equal basis without having to worry about the status of funds within the previous three separate accounts. Becoming a line item within GDM has been a distinct advantage in the operation of OGC.

MANAGEMENT OVERSIGHT COUNCIL

Mr. Conte: Mr. Moley, you started the Management Oversight Council with participation from ASMB and the Inspector General's office. What has been some of the accomplishments of this council?

Mr. Moley: The Council has formalized a process whereby it holds periodic hearings with senior OPDIV and Staff Division officials on the status of their Federal Mangers Financial Integrity Act (FMFIA) programs. The results of these hearings are presented to the Under Secretary for her evaluation.

To date the Council has conducted two sets of hearings, in September 1989 and February 1990. These hearings resulted in the identification of approximately 140 items to enhance the FMFIA program. Each item was assigned to specific officials for action, and about half of the items have already been completed. The remaining items are scheduled to be completed as soon as possible, with the goal of having all of them completed during the current fiscal year.

The Council has also been instrumental in accomplishing the following:

(1) refocusing on Departmental policies by reemphasizing that all programmatic activities and administrative functions be included and evaluated as part of the FMFIA program;

(2) strengthening the Office of the Secretary's oversight of the FMFIA program by requiring that follow-up reviews be made of corrected material weaknesses to assure that the actions taken produced the desired results;

(3) reprising senior management of their FMFIA responsibilities and the fact that they will be held accountable for the results; and

(4) assisting in resolving disputes over whether problems identified through various sources are to be classified as material.

Mr. Conte: How does this council enforce its actions regarding Operating Divisions' compliance with the Inspector General Act Amendments (IGAA) and the FMFIA?

Mr. Moley: The Council maintains an inventory of all action items identified during the hearings, and then tracks each item until it is completed. The Council requires the action officials to address the status of any open items and to commit to a completion date at the next scheduled hearings. The Council staff follows up to assure that the planned completion dates do not slip.

POLICY RESEARCH

Mr. Conte: The budget asks for $5 million for policy research administered by the Assistant Secretary for Planning and Evaluation. What are some examples of the research being done?

Mr. Gerry: Our funding will support policy research studies in a wide variety of HHS program areas. These studies improve our understanding of the problems underlying HHS programs, and provide crucial insight into the policy approaches most likely to resolve them. In FY 1991 our research will focus on four key areas: improving access to affordable and high-quality health care; strengthening the family; improving long-term care and the well-being of the elderly and persons with disabilities; and improving the delivery of health care services.

Mr. Conte: Who determines what studies are carried out?

Mr. Gerry: Research studies are formulated by my office as a result of principal input from the Secretary, particularly regarding the goals and objectives he has set; requests from the Congress, OMB, and GAO; and suggestions from other senior HHS staff. I make the final decisions to be carried out.

Mr. Conte: How are these studies coordinated with those done by the Department's operating divisions?

Mr. Gerry: We review and comment on all HHS operating divisions research and evaluation plans. They review and comment on ours and where we plan a study involving a particular OPDIV's project we coordinate that particular study in some detail with that division. We meet throughout the year to discuss studies of common interest. We jointly sponsor studies with the OPDIVs. Researchers from both my office and the OPDIVs sit on each others project review panels.

GENERAL GDM BUDGET

Mr. Conte: Your budget asks for 2,630 FTEs for FY 1991. Is this number sufficient for all the increased tasks of your office?

Mr. Moley: Yes, we believe that 2,630 FTEs will be sufficient for the General Departmental Management (GDM) account to effectively perform all of the duties assigned to it.

OFFICE OF THE GENERAL COUNSEL

Mr. Conte: The budget for the General Counsel's office asks for an increase of $1.5 million while cutting 25 FTEs. Where are the personnel cuts being made?

Mr. Astrue: The personnel cuts are being made in the Social Security area because there has been a significant decrease in this caseload during FY 1990. The number of new cases filed during the first five months of this fiscal year is significantly lower than was previously projected, indicating that for the year the number will be about 40 percent below the Department's original expectations.

ASPE REGULATION TRACKING

Mr. Conte: Can you bring us up-to-date on ASPE's new automated regulation development system?

Mr. Gerry: This system is merely an internal information system which enable's ASPE to keep track of pending and recently completed regulations. It is used solely for the purpose of providing a quick reference for ASPE staff on the development of regulations. For example, if a regulation goes through several drafts prior to issuance as a Notice of Proposed Rulemaking, subsequent publication, and recirculation as a proposed final rule a year later, ASPE staff are able to check the latest draft against memoranda describing or commenting on earlier drafts. This is especially helpful when there has been staff turnover and new analysts need to understand the history and evolution of a regulation, or when staff are trying to check out the regulatory history related to an immediate policy problem.

Mr. Conte: How does it work?

Mr. Gerry: It is a very simple system, using nothing more than a database program installed on personal computers, and a few hours a week of staff time to keep the computer records up to date. The information entered identifies the regulation and its subject, including a paragraph description so that the regulation can be identified by subject if the searcher does not remember its official name. The computer program serves simply to direct staff to paper file-folders which contain the full text of the regulation and any additional information, such as newspaper articles or bill reports, which they have decided to keep for future reference. The system does not include official or complete records on each regulation; this function is left to the originating agency.

ASPE SIMULATION MODELS

Mr. Conte: I understand ASPE has some simulation models to see how policy changes might impact upon spending and other policies. In what areas of research is this modeling done?

Mr. Gerry: ASPE employs a variety of microsimulation models in evaluating how policy changes impact on spending and other policies. Modeling capabilities permit simulation of current tax and transfer programs and of the impact of proposed new policies in areas such as long-term care and employer provided health insurance. Among the current transfer programs simulated are: SSI, Aid to Families with Dependent Children, Food Stamps, Medicare and Medicaid eligibility and participation and child care tax credits. Federal income and payroll taxes, State income taxes, and State and local property and sales taxes are also estimated using the models. In addition, projections are developed of future events, such as the utilization and financing of nursing home and home care, which serve as the basis for estimating the costs and impacts of proposed new policies. ASPE continuously maintains and updates these models both to keep them current and to respond to policy changes. ASPE has been on the cutting edge of model development during the past two decades. To assure that it's capabilities remain state-of-the-art, we asked the National Academy of Sciences to undertake an evaluation of the major social welfare models it currently uses for policy analysis and make recommendations regarding the future direction modeling and related data development activities should take. Their report is due in October of this year.

DEBT COLLECTION ACTIVITIES

Mr. Conte: Last year ASMB told me that HHS was owed about $4 billion in outstanding debt or receivables at the end of FY 1988. Can you update that figure for us?

Mr. Moley: The table below provides data on outstanding debt at the end of FY 1989 and FY 1990:

TOTAL OUTSTANDING DEBT AT END OF FISCAL YEAR

Operating Division	Actual FY 1989	Estimated FY 1990
Social Security Admn.	$3,164,145,000	$3,304,032,000
Public Health Service	1,119,080,000	1,128,280,000
Health Care Financing Admn.	463,274,000	460,374,000
Office of the Secretary	154,420,000	111,420,000
Family Support Admn.	39,749,000	35,740,000
Human Development Services	30,414,000	28,414,000
TOTAL	$4,971,082,000	$5,068,260,000

Mr. Conte: Do you have a breakdown on where the debts are coming from?

Mr. Moley: The table above shows the breakdown by OPDIV. Most debt in HHS results from overpayments of Social Security benefits, and from PHS loan programs for health professionals and medical facilities. Overpayments to Social Security beneficiaries represent over 99 percent of the debt which HHS must eventually classify as uncollectible.

Mr. Conte: Are you making progress in collecting this debt?

Mr. Moley: The Department is actively pursuing the implementation of techniques to improve its debt collection. These include the following:

(1) automating accounts receivable systems (the Phoenix project);

(2) using income tax refund offsets and Federal salary offsets in PHS;

(3) linking up with the Department of Justice's Central Intake System for tracking litigation accounts;

(4) pre-screening loan applications for outstanding delinquencies by schools for the Health Education Assistance Loan (HEAL) program and by lending institutions for loans

guaranteed by PHS;

(5) obtaining credit bureau reports on applicants; and

(6) establishing loan asset sales for selected HHS portfolios.

In addition, a Departmental Debt Management Council composed of all HHS components was established in March 1989.

TRAVEL-RELATED COSTS

Mr. Conte: Can you review for us your cost breakdown for automobiles, drivers, cellular telephones and travel for FY 1990?

Mr. Moley: The FY 1990 GDM budget currently includes a total of $30,400 for the costs of leasing 12 vehicles. This includes two dedicated automobiles — those used by the Secretary and the Under Secretary. A third vehicle is made available to the Chief of Staff on an as-needed basis. The following vehicles are also leased: six GSA sedans, one payroll van, and two security vans. All non-dedicated vehicles are in the HHS motor pool and are used for Departmental purposes. The FY 1990 GDM budget also includes $345,000 for the salary costs of 14 drivers.

The rental and use of 11 cellular mobile phones for these cars will cost a total of $13,700 in FY 1990.

The FY 1990 estimate for GDM travel is $1,069,000, which includes $975,000 for travel and transportation of persons, and $94,000 for transportation of things (i.e., moving and relocation expenses).

Mr. Conte: How much do you anticipate for these items for FY 1991?

Mr. Moley: We do not anticipate any increase in costs over the FY 1990 level for automobiles, drivers or cellular telephones. The FY 1991 GDM request for travel is $1,105,000, which includes $1,014,000 for travel and transportation of persons and $91,000 for transportation of things. This is a $36,000 (or 3.4 percent) increase over FY 1990.

CATASTROPHIC REPEAL

Mr. Conte: With the repeal of catastrophic insurance, has your office shifted its resources once devoted to implementing that program?

Mr. Moley: The General Departmental Management account was not assigned any duties or responsibilities under the Medicare catastrophic health insurance program. Therefore, no resources were ever requested or received in GDM to cover workloads associated with the catastrophic program, and there has been no need to shift any resources as a result of the repeal of the program. The only appropriation within the Office of the Secretary which received resources related to the catastrophic program was the Office of Inspector General.

OGC INVOLVEMENT

Mr. Conte: What has been the General Counsel's office involvement with childhood vaccine injury compensation?

Mr. Astrue: OGC has had a wide range of involvement with the Program. First, we have provided day-to-day legal guidance to the Program on implementation of the Act. This ranges from assisting in the development of the Program's position on petitions to helping to establish payment procedures for awards. In addition, we have assisted the Program in obtaining the necessary medical records and have reviewed for legal sufficiency the Program's medical reports which were submitted to the Claims Court.

Second, we have worked consistently with the Court to implement the Program in a non-adversarial manner. With the enactment of the 1989 Technical Amendments and the new rules published by the Claims Court in January, we have made significant advances toward the streamlined non-adversarial system that Congress envisioned.

Third, subsequent to the withdrawal of the Department of Justice (DOJ), and until its recent resumption of this function, OGC handled many of the activities which would have traditionally been done by DOJ. We prepared objections to selected reports by Special Masters, conducted oral arguments before the judges of the Claims Court, represented the agency on remand cases, and negotiated settlements. With the return of DOJ, we continue to serve as the Department's legal advisor on matters in litigation.

Mr. Conte: What has been the General Counsel's office involvement with scientific fraud?

Mr. Astrue: OGC attorneys have played an active role in establishing the offices at NIH and PHS that have developed and are in the process of implementing policies related to scientific misconduct. This includes participation in the day-to-day activities of these offices to provide advice from a legal perspective. OGC attorneys also serve on internal committees that have been formed to promote consistent and coordinated approaches within PHS to dealing with instances of misconduct.

As individual allegations arise which are to be investigated at the Federal level, OGC attorneys routinely participate in the investigations and serve as counsel for the Agency when findings of misconduct are later challenged (e.g., in debarment proceedings).

Mr. Conte: What has your office done to ensure that social security disability determinations comply with the standards of review mandated by Congress?

Mr. Astrue: OGC has always been very active in ensuring that administrative actions comply with the intent of Congress. OGC provides the Social Security Administration (SSA) with legal advice on the implementation of Acts of Congress which involve the Social Security and SSI programs. In particular, when statutory changes have been made, we have worked very closely with SSA representatives to implement those changes by providing legal advice in response to specific questions on the new legislation and by assisting in the development of regulations which may be required. In addition, OGC reviews all administrative instructions issued to implement the legislative change. Most recently, we have been actively involved in implementing the disability determination amendments contained in the Technical and Miscellaneous Revenue Act of 1988 and the Omnibus Budget Reconciliation Act of 1989.

OGC has also worked with SSA officials in developing many new regulatory proposals, including proposals that would:

1) clarify the procedures to be followed if a State Agency has substantially failed to make disability determinations in accordance with applicable provisions of the Social Security Act;

2) update the criteria in many of the listings contained in the Listings of Impairments;

3) provide more detailed guidance on the use of treating physician evidence and consultative examinations;

4) clarify how symptoms, such as pain, are to be evaluated, and

5) clarify how the vocational factors of age, education and work experience are to be considered in making disability determinations.

Another important initiative which OGC worked closely on with SSA is a regulation governing how SSA follows holdings of the U.S. Courts of Appeals which the Agency determines are at variance with SSA's interpretation of statutory provisions affecting disability determinations. This final rule was issued by the Department on January 11, 1990. Under the regulation, such holdings are followed by publication of an Acquiescence Ruling until there is a new statute, a subsequent decision by the Supreme Court or the court of appeals, or a change in SSA regulations. OGC continues to work closely with SSA on this initiative by suggesting when Acquiescence Rulings are needed, as appropriate, and by providing legal advice in conjunction with the issuance of such rulings.

Another important initiative to ensure consistency with the intent of Congress is a procedure whereby OGC, together with SSA's Office of Hearings and Appeals (OHA), is able to remove from the courts those cases which do not appear to have been administratively decided in full accordance with the law and applicable court decisions. OGC refers such cases to OHA so that they may consider whether to take the case back and correct any apparent inconsistencies with applicable law. Not only does this process ensure that claims are decided consistently with legislatively mandated standards, but also that resources are expended in defending in court only those cases which have been properly decided. In FY 1989, OGC referred some 1,800 cases to OHA for reconsideration, and OHA agreed to remand approximately 87 percent of them.

In both our Social Security Division in Baltimore and our Regional Offices throughout the country, OGC has been heavily involved in assisting SSA adjudicators to become informed on the body of case law affecting the adjudicatory standards which they are required to apply. More specifically, these efforts have been focused on continuing advice to the Administrative Law Judges (ALJs) adjudicating claims for benefits under the Social Security Act. In addition, OGC is constantly advising both the Central and Regional Offices of OHA of particular new developments in the law which may affect Agency adjudications. OGC sends copies of court of appeals decisions to OHA for distribution, as appropriate, to ALJs and the Appeals Council.

In sum, OGC devotes significant resources to continuing efforts to ensure that administrative decision-making in Social Security matters is in accord with the standards set by Congress.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

	1991 Estimate		Page
	FTE	Appropriation	Number
General Departmental Management............	2,630	$81,350,000	1
Office of Inspector General...............	1,415	51,500,000	79
Office for Civil Rights.	325	17,585,000	117
Policy Research.........	5	5,017,000	137
General Provisions......	---	---	153

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

General Departmental Management

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

General Departmental Management

For necessary expenses, not otherwise provided, for general departmental management, including hire of six medium sedans, [$80,577,000] *$81,350,000*, of which [$19,281,000] *$20,345,000* shall be available for expenses necessary for the Office of the General Counsel, together with [$31,201,000] *$31,100,000*, of which [$26,116,000] *$26,031,000* shall be available for expenses necessary for the Office of the General Counsel, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein. (Department of Health and Human Services Appropriations Act, 1990.)

GENERAL DEPARTMENTAL MANAGEMENT

Amounts Available for Obligation *

	1989 Actual	1990 Estimate	1991 Estimate
Appropriation:			
Annual	$68,160,000	$80,577,000	$81,350,000
Reduction pursuant to Public Law 100-436	-818,000	---	---
Reduction pursuant to Public Law 101-166	---	-178,000	---
Reduction pursuant to Public Law 99-177	---	-983,000	---
Subtotal, adjusted appropriation	67,342,000	79,416,000	81,350,000
Real transfer to: President's Commission on Nuclear Catastrophic Accidents	-65,000	---	---
Comparative transfer from: Working Capital Fund for Regional Legal Services	9,034,000	---	---
Subtotal, adjusted budget authority	76,311,000	79,416,000	81,350,000
Receipts and reimbursements from: Trust funds	6,916,000	31,100,000	31,100,000
Comparative receipts and reimbursements from: Trust funds for Social Security Disability Litigation	16,239,000	---	---
Unobligated balance lapsing	-388,000	---	---
Total obligations	$99,078,000	$110,516,000	$112,450,000

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* Excludes the following amounts for reimbursable activities carried out by this account: FY 1989 - $14,640,000 and 19 FTEs; FY 1990 - $17,049,000 and 14 FTEs; FY 1991 - $15,000,000 and 14 FTEs.

GENERAL DEPARTMENTAL MANAGEMENT

Summary of Changes

1990 Appropriation	$80,577,000
1990 Reduction pursuant to Public Law 99-177 (Gramm-Rudman-Hollings)	-983,000
1990 Section 518 reduction	-178,000
Total estimated budget authority	$79,416,000
(Obligations)	(110,516,000)
1991 Request	$81,350,000
(Obligations)	(112,450,000)
Net change	+$1,934,000
(Obligations)	(+1,934,000)

	1990 Base		Change from Base	
	Pos. (FTE)	Obligational Authority	Pos. (FTE)	Obligational Authority
Increases:				
A. Built-in:				
1. Effect of January 1991 pay raise for GS/GM employees.	1,358 (1,496)	$74,554,000	---	+$1,704,000
2. Effect of January 1991 pay raise for Executive Level employees	1,358 (1,496)	$74,554,000	---	+$1,502,000
3. Career ladder promotions, merit pay bonuses, and within-grade increases	1,358 (1,496)	$74,554,000	---	+$1,000,000
4. Increase in building space rent	---	$13,060,000	---	+$653,000
5. Annualization of January 1990 pay raise	1,358 (1,496)	$74,554,000	---	+$580,000
Subtotal	---	---	---	+$5,439,000
B. Program:				
1. Share of Working Capital Fund costs	---	$4,322,000	---	+$196,000
Total increases	---	---	---	+$5,635,000

GENERAL DEPARTMENTAL MANAGEMENT

Summary of Changes (Cont.)

	1990 Base		Change from Base	
	Pos. (FTE)	Obligational Authority	Pos. (FTE)	Obligational Authority
Decreases:				
A. **Program:**				
1. Absorption of personnel-related increases...........	1,358 (1,496)	$74,554,000	-21 (-23)	-$2,979,000
2. Decrease in other services and equipment to offset increases for rent, Working Capital Fund payment and other object classes......	---	$18,334,000	---	-$476,000
3. Grant for human services transportation coordination and technical assistance	---	$246,000	---	-$246,000
Total decreases	---	---	-21 (-23)	-$3,701,000
Net change...........................			-21 (-23)	+$1,934,000

GENERAL DEPARTMENTAL MANAGEMENT

Budget Authority by Activity
(Dollars in thousands)

	FY 1989 Actual		FY 1990 Appropriation		FY 1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
Immediate Office of the Secretary........	98	$ 5,514	103	$ 5,812	103	$ 5,974
Public Affairs..........................	35	2,107	40	2,618	40	2,698
Legislation.............................	22	1,365	28	1,718	29	1,877
Planning and Evaluation.................	75	4,462	80	4,799	80	4,915
Management and Budget...................	281	19,152	284	21,042	285	21,416
Personnel Administration................	158	9,149	164	11,042	164	11,211
Field Management........................	34	2,275	37	2,596	37	2,626
Payment for Working Capital Fund services	--	3,752	--	2,987	--	3,169
RENT payment to GSA and common expenses..	--	10,449	--	13,022	--	12,188
Subtotal.............................	703	58,225	736	65,636	738	66,074
Office of the General Counsel...........	752	33,584	760	37,486	735	38,157
Payment for Working Capital Fund services	--	1,519	--	1,335	--	1,349
RENT payment to GSA and common expenses..	--	5,750	--	6,059	--	6,870
Subtotal.............................	752	40,853	760	44,880	735	46,376
Total obligations.......................	1,455	99,078	1,496	110,516	1,473	112,450
Less: Trust Fund transfers............	--	-23,155	--	-31,100	--	-31,100
Total obligations from appropriated funds	1,455	75,923	1,496	79,416	1,473	81,350

GENERAL DEPARTMENTAL MANAGEMENT

Budget Authority by Object [a]

	1990 Appropriation	1991 Estimate	Increase or Decrease
Total number of permanent positions	1,358	1,337	-21
Total compensable workyears:			
Full-time equivalent employment	1,496	1,473	-23
Full-time equivalent of overtime and holiday hours	11	11	---
Average ES salary	$74,474	$92,949	+$18,475
Average GS grade	10.27	10.27	---
Average GS salary	$36,595	$37,873	+$1,278
Average salary of ungraded positions	$24,515	$25,373	+$858
Personnel compensation:			
Full-time permanent	$58,891,000	$60,340,000	+$1,449,000
Other than full-time permanent	4,243,000	4,341,000	+98,000
Other personnel compensation	1,029,000	1,053,000	+24,000
Special personal services payments	128,000	130,000	+2,000
Total personnel compensation	64,291,000	65,864,000	+1,573,000
Personnel benefits	10,016,000	10,237,000	+221,000
Benefits to former personnel	247,000	260,000	+13,000
Travel and transportation of persons	975,000	1,014,000	+39,000
Transportation of things	94,000	91,000	-3,000
Rental payments to GSA	13,060,000	13,713,000	+653,000
Rent,communications and utilities	2,982,000	3,305,000	+323,000
Printing and reproduction	1,107,000	1,157,000	+50,000
Other services	15,370,000	14,709,000	-661,000
Contribution to Working Capital Fund	(4,322,000)	(4,518,000)	(+196,000)
Supplies and materials	784,000	901,000	+117,000
Equipment	1,344,000	1,199,000	-145,000
Grants, subsidies and contributions	246,000	---	-246,000
Total obligations by object	$110,516,000	$112,450,000	+$1,934,000

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[a] Includes Office of the General Counsel; excludes Working Capital Fund.

GENERAL DEPARTMENTAL MANAGEMENT

Significant Items in House and Senate Appropriation Committee Reports

Item	Action Taken or to be Taken
1990 Senate Report 101-127	
Transportation assistance and coordination	
...Grant funds are to be made available to a qualified private, non-profit organization whose principal purpose is to provide technical assistance on rural and special transportation. This organization shall have experience at the national level. In addition to providing coordination and technical assistance, the grantee shall also provide a report to the Secretary listing the improvements needed in current law, regulation, and procedure to increase efficiency in this area.	The Departments of HHS and Transportation have completed and approved an action plan, developed by a joint HHS/DOT Coordinating Council. As part of the implementation of this plan, HHS will establish an interagency agreement with DOT to fund a qualified non-profit organization to provide technical assistance on rural and special transportation issues. This organization will also be required to provide a report to the Secretary of HHS which lists the improvements needed in current laws, regulations and procedures to increase efficiency in the transportation area.
Nurses	
The Committee....requests that the Secretary's Commission on Nursing continue its efforts to address the ongoing crisis of the nursing shortage.	The proposed 1990 Commission on Nursing, consisting of nurses and non-nurses, will be available to the Secretary in an advisory capacity on health care policy matters which affect nursing.

GENERAL DEPARTMENTAL MANAGEMENT

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
General Departmental Management....	Indefinite	$80,399,000	Indefinite	$81,350,000

GENERAL DEPARTMENTAL MANAGEMENT

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1982:				
Appropriation	$146,707,000	$146,601,000	$146,601,000	$146,601,000
Trust Funds	8,080,000	7,680,000	7,680,000	7,680,000
FY 1983:				
Appropriation	158,969,000	158,143,000	158,143,000	158,143,000
Trust Funds	8,000,000	8,000,000	8,000,000	8,000,000
FY 1984:				
Appropriation	169,963,000	160,794,000	151,963,000	157,963,000
Trust Funds	8,000,000	8,000,000	8,000,000	8,000,000
FY 1985:				
Appropriation	133,000,000	133,000,000	133,000,000	133,000,000
Rescission	1,246,000	-0-	-0-	-0-
Trust Funds	8,000,000	8,000,000	8,000,000	8,000,000
FY 1986:				
Appropriation	127,749,000	123,949,000	139,949,000	144,449,000
Sequester	6,211,000	6,211,000	6,211,000	6,211,000
Rescission	19,619,000	-0-	-0-	-0-
Trust Funds	8,000,000	8,000,000	8,000,000	8,000,000
Sequester	344,000	344,000	344,000	344,000
FY 1987:				
Appropriation	108,319,000	108,319,000	122,819,000	121,819,000
Supplemental	2,200,000	2,200,000	2,200,000	2,200,000
Trust Funds	27,500,000	27,500,000	27,500,000	27,500,000
FY 1988:				
Appropriation	67,135,000	66,359,000	70,859,000	67,840,000
Trust Funds	7,000,000	7,000,000	7,000,000	7,000,000
FY 1989:				
Appropriation	68,160,000	68,160,000	68,160,000	67,342,000
Trust Funds	7,000,000	7,000,000	7,000,000	6,916,000
FY 1990:				
Appropriation	71,046,000	80,327,000	80,577,000	80,399,000
Sequester	983,000	983,000	983,000	983,000
Trust Funds	5,085,000	31,201,000	31,201,000	31,201,000
Sequester	101,000	101,000	101,000	101,000
FY 1991:				
Appropriation	81,350,000			
Trust Funds	31,100,000			

GENERAL DEPARTMENTAL MANAGEMENT

Authorizing legislation - Reorganization Plan No. 1 of 1953
(Indefinite authority)

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
Total Obligations..	$110,516,000	$112,450,000	+$1,934,000
Less: Trust Fund Transfers....	-31,100,000	-31,100,000	--
Total Budget Authority..........	$79,416,000	$81,350,000	$+1,934,000
(FTE)..............	(1,496)	(1,473)	(-23)

General Statement

The General Departmental Management (GDM) appropriation supports those activities that are associated with the Secretary's roles as policy officer and general manager of the Department. The GDM section of this Office of the Secretary justification includes narrative chapters describing the activities of each Staff Division (STAFFDIV) and of two major costs, Rental Payments to GSA and the Working Capital Fund (WCF). Resource tables include only funding provided from the GDM appropriation, except for the special charts in the Working Capital Fund chapter.

The FY 1991 budget for GDM activities proposes $112,450,000 and 1,473 full-time equivalent (FTE) staff, an increase of $1,934,000 and a decrease of 23 FTE from the FY 1990 comparable amount. The President's request, including trust fund transfers, for this account represents current law requirements. No proposed law requirements are included.

Funding levels, including amounts available for obligation from both budget authority and trust fund transfers, for the last five fiscal years were as follows:

1986	$145,894,000
1987	151,519,000
1988	74,840,000
1989	74,258,000
1990	110,516,000

The reduction in GDM expenditures in FY 1988 was a result of the restoration to full operation of the Working Capital Fund. Authorized by legislation passed in 1952, use of the WCF had been limited to reprographics and data management in recent years. The WCF now allows the Department to display the cost of centralized services (such as payroll, payment management, accounting and financial services, regional personnel services, regional administrative services, and EEO complaint investigations) against the Departmental Operating Divisions (OPDIVs) which receive those services. The WCF also provides the OPDIVs with the opportunity to control the delivery and cost of these centralized services. The increased funding levels for the GDM account starting in FY 1990 are a result of consolidating all funding for the Office of General Counsel into the GDM appropriation.

IMMEDIATE OFFICE OF THE SECRETARY

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
103	$5,812,000	103	$5,974,000	---	+$162,000

Purpose and Method of Operations

The Immediate Office of the Secretary (IOS) provides leadership, direction, policy, and management guidance to the Department. The major objectives are to manage the programs and activities of HHS, implement administrative and Congressional directives, and provide assistance, direction, and coordination to the headquarters, regional, and field organizations of the Department.

The IOS serves as the nucleus for HHS activities, providing staff support essential for the Secretary to manage and direct the myriad programs mandated to the Department.

Responsibilities associated with policies and issues which the Secretary and the Department must confront daily include:

- Development of position papers and other analyses detailing background, possible approaches and solutions to assist the Secretary in decision making.
- Preparation and issuance of policy statements and directives to the Department's agencies and employees for the Secretary.
- Development, monitoring, and implementation of the Secretary's goals and priorities.
- Review and coordination of new proposals and changes in program activities to advise and assist the Secretary in the management and implementation of Departmental programs and policies.
- Resolution of conflicting viewpoints and positions among the agencies within the Department.
- Coordination and direction of international and intergovernmental aspects of Departmental activities.
- Guidance and assistance to agencies in implementing Congressional or Administration policy directives.

- Maintenance of a document control tracking system which includes over 95,000 pieces of external mail and approximately 3,500 pieces of internal mail.
- Review of all regulatory changes, including proposed new regulations and ongoing review of regulations already published, with particular emphasis on reducing the regulatory burden.
- Development of briefing materials on national issues for use at Cabinet Council meetings.

Accomplishments

Primary accomplishments for which the IOS provided guidance and management oversight in FY 1989 and FY 1990 were:

- Development of programs to provide poor and minority citizens access to quality health care.
- Development of programs to provide health care for the uninsured/underinsured by enlisting support from State and local governments to explore alternative and creative avenues of payment.
- Reduction of infant mortality by advocating legislation to allow more women and children to become eligible for Medicaid benefits, especially pregnant women.
- Provision of help to families working toward self-sufficiency and economic independence through the Family Support Act and involvement of the local support systems.
- Prevention of youth homicide.
- Coordination of drug abuse policy, implementation of a Drug Free Workplace compliance at HHS, and development of strategies for the Department with respect to reducing the demand for illegal drugs.
- Provision of leadership to the National Commission on AIDS to monitor its progress, evaluation of further needs, and recommendation of additional measures in the fight against AIDS.
- Improvement of information flow within OS through implementation of shared computer network technology throughout OS.
- Review and analysis of the use of resources and workloads to ensure maximum efficiency and effectiveness.

Anticipated Accomplishments

Anticipated accomplishments of IOS in FY 1991 are to:

- Provide guidance and management oversight in order to: strengthen the American family, improve health promotion and disease prevention, reduce dependency and implement Welfare Reform, enhance biomedical research, improve access to quality health care services, manage the Social Security and Medicare Trust Funds efficiently to ensure continued value for expenditures, and continue the war against drug and alcohol abuse and the AIDS epidemic.
- Complete the installation of local area networks that will provide state-of-the-art, nationwide compatibility and communications capability, including a national electronic mail transfer and receiving system.
- Design an improved document filing and retrieval system for the Secretary's correspondence to ensure faster access to the information and reduce current file space allocation.
- Implement recommendations from the drug policy advisory group which includes Departmental representation.

Rationale for the Budget Request

The FY 1991 budget proposes $5,974,000 and 103 FTEs for IOS, an increase of $162,000. The increase represents approximately one-half of the executive pay increase. Funds for the Drug Unit are being funded through the Public Health Service.

ASSISTANT SECRETARY FOR PUBLIC AFFAIRS

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
40	$2,618,000	40	$2,698,000	---	+ $80,000

Purpose and Method of Operations

The Office of the Assistant Secretary for Public Affairs (ASPA) serves as the principal public affairs officer in all aspects of Departmental policy and activities; oversees the planning, management and execution of communication activities throughout HHS; conducts Departmentwide public affairs programs; provides public information and support on legislative initiatives which cut across the Department's program and Operating Division (OPDIV) lines; establishes and administers the Freedom of Information and Privacy Acts Departmentwide; and provides information on Departmental actions and purposes to the public in general. The ASPA is responsible for:

- Providing information, advice and counsel to the Secretary and other senior Departmental officials to assure that public affairs aspects are considered in the establishment of Departmental activities.

- Conducting an active program of communication with the public on behalf of the Department through the media and other avenues to further public understanding of Departmental programs and issues.

- Providing functional management of public affairs activities throughout the Department to assure that Departmental priorities are followed, and that public affairs and public education activities of Departmental OPDIVs are cost-effective and are not duplicative. Functional management of public affairs activities includes the review and evaluation of OPDIVS' public affairs activities to assure that appropriate materials are delivered to the right audiences in the most cost-effective manner.

- Setting policy and procedures in the Department and OPDIVs for administering the implementation of the Freedom of Information Act, the Privacy Act and other information-access statutes that assure the public's right to know and protects the individuals' right to privacy.

- Maintaining liaison with public interest and voluntary groups to encourage their participation in HHS initiatives and activities.

Accomplishments

Primary accomplishments for ASPA in FY 1989 and FY 1990 were:

- Review of over 900 publication clearance requests, 100 audiovisual clearance requests, and achievement of cost reductions through disapprovals, modifications or withdrawal of submissions.
- Development, production, and distribution of public service messages to an average of 6,000 major radio stations throughout the country, resulting in millions of dollars in free airtime devoted to important health and human service initiatives.
- Premier of the Youth Homicide TV special in early October when the new fall TV line-up was being introduced and when viewer interest was high. Conducted follow-up through community efforts aimed at reduction of youth homicide by distributing 1,000 workbooks and cassettes of programs to community groups and organizations.
- Development of satellite transmission capability to provide more immediate transmission of important information at lower distribution costs.
- Development of comprehensive Hispanic outreach plans which cover such issues as strengthening the family, health promotion, disease prevention, and access to quality health care.
- Development, production, distribution, and testing of a 1/2 hour "magazine format" television show about health and human service issues.
- Updating and improvement of HHS materials to improve public understanding of the Department and its missions.
- Implementation of the use of an 800 line for weekly radio feeds focusing on minority interests.
- Expansion of media outreach activities to minority populations in order to more effectively reach those at higher risk for AIDS and other preventable health conditions with effective disease prevention information and other relevant information concerning the activities of the Department.

- Installation of a local area network that provides state-of-the-art shared communication capability.
- Design, production, and distribution of a Departmentwide newsletter to inform and educate employees on Departmental issues, programs, and activities.
- Continuation of the production of speeches for Departmental officials and expansion of the production and placement of articles and editorials concerning Departmental issues in order to reach larger audiences through national and weekly newspapers.
- Development of an ongoing program to bring in exhibits, both portable and permanent, which demonstrated aspects of this Department's commitment to the health and well-being of all Americans.
- Implementation of a FOIA tracking system which resulted in more efficient and cost effective management of FOIA requests throughout the Department.

Anticipated Accomplishments

In FY 1991, ASPA will:

- Review publications and audiovisual requests for clearance with the goal of reducing costs through the disapproval, modification or withdrawal of clearance requests.
- Transmit a variety of television programming, including video conferences and satellite media tours through HHS satellite capability.
- Implement the Hispanic outreach initiative nationwide and provide for continued flow of information to the Hispanic community on an on-going basis.
- Streamline the clearance process within the Department for review and approval of public information products.
- Broadcast continuing series of three-minute radio programs on a variety of health and human service issues.
- Distribute at least four radio message series on health and human service issues to an average of 6,000 radio stations with the result that over $6 million in free airtime is dedicated to important health and human service issues by participating stations.
- Produce and transmit a half-hour magazine format show to television stations monthly.

- Continue the production of speeches for Departmental officials, and the production and placement of articles and editorials.
- Institute an electronic filing system to alleviate current storage problems and costs, making materials more easily retrievable.
- Expand the Freedom of Information/Privacy Act tracking system to include OPDIVs, to further improve administration of the FOIA. Increase use of electronic transmissions of FOIA responses.

Rationale for the Budget Request

The FY 1991 Budget proposes $2,698,000 and 40 FTEs for ASPA, an increase of $80,000. The increase represents part of the cost of the executive pay increase.

ASSISTANT SECRETARY FOR LEGISLATION

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
28	$1,718,000	29	$1,877,000	+ 1	+ $159,000

Purpose and Method of Operations

The Office of the Assistant Secretary for Legislation (ASL) serves as the principal advocate before the Congress for the Administration's health and human services initiatives; serves as HHS chief legislative liaison to executive officials of the White House, OMB, and other Executive Branch Departments; and is the principal advisor to the Secretary and the Department on Congressional activities. The ASL is responsible for:

- Preparing and coordinating major policy briefings for Members of Congress and their staffs.
- Directing and coordinating legislative initiatives to ensure consistent and strong advocacy before the Congress.
- Maintaining effective communications with Members of Congress, their staffs, the White House, OMB, and congressional liaison staffs of other Federal agencies.
- Providing guidance on the development and analysis of Departmental legislation and policy, including formulation of the budget.
- Coordinating congressional hearings and markups, including preparing and briefing Department witnesses and ensuring appropriate follow-up.
- Clearing and editing testimony and bill reports on pending legislation.
- Serving as the legislative resource center for congressional, media, and constituent groups.

Accomplishments

Primary accomplishments for ASL in FY 1989 and FY 1990 were:

- Management of the Departmental legislative process through introduction and defense of the Administration's legislative agenda, representation of Administration positions in HHS legislative developments, and coordination of Secretarial testimony and preparatory briefings. Issues included: Medicare catastrophic coverage, physician payment reform, Medicaid expansion proposals, health care for the uninsured, medical effectiveness, Head Start, child care, AFDC quality control, adoption, and proposals to make SSA an independent agency.

- Provision of background information and strategies on specific issues related to strengthening the family, biomedical research efforts, health promotion and disease prevention, quality health care services, and Social Security and Medicare.

- Establishment of a Local Area Network (LAN), linking analysts' personal computers to enhance the capability for rapid cross-area legislative policy analysis.

- Improvement of the development and execution of Departmental legislative and regulatory activities by providing more effective guidance to, and increasing participation with, other Executive Branch officials and the Department's STAFFDIVS and OPDIVS.

- Improvement of the Department's level of responsiveness to members of Congress through prompt responses to written and oral inquiries, speakers' services, the establishment of ASL contacts for each office on Capitol Hill, and the standardization of all ASL operations in order to provide timely, quality information to the Secretary, other Executive Branch Departments, and Capitol Hill.

Anticipated Accomplishments

In FY 1991, ASL will:

- Manage the Department's legislative agenda including the introduction and defense of the President's and the Secretary's legislative initiatives.

- Represent the Administration's and the Department's positions on Capitol Hill legislative developments which impact HHS programs, to include program reauthorizations and activities related to Congressional representation of and action on the Department's budget.

- Continue outreach efforts with individual members' staffs in order to provide a more effective system for gathering information related to members' attitudes and concerns on issues affecting Departmental programs, and implement an intra-Departmental legislative communications network.

Rationale for the Budget Request

The FY 1991 budget proposes $1,877,000 and 29 FTEs for ASL, an increase of $159,000. The increase represents funding for additional clerical support and a portion of the executive pay increase.

ASSISTANT SECRETARY FOR PLANNING AND EVALUATION

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
80	$4,799,000	80	$4,915,000	---	+$116,000

Purpose and Method of Operations

The Office of the Assistant Secretary for Planning and Evaluation (ASPE) performs the following functions: provides policy analysis and advice; guides the formulation of legislation; coordinates implementation planning; conducts regulatory analysis and reviews regulations; oversees the planning of evaluation, non-biomedical research, and major statistical activities; and administers evaluation, data collection, and research projects that provide information needed for policy development.

These functions can be grouped into two components: policy analysis and development, and management and support. Most of the requested resources are for policy analysis and development. The rest of this request provides for executive direction, administration, and technical support services, to include simulation modelling, programming, and technical assistance.

Accomplishments

ASPE has accomplished in FY 1989 and FY 1990 the following major objectives:

- Provided day-to-day analytic and technical support for policy formulation for the Secretary and other senior officials.
- Conducted short-term analyses of issues and options for the Domestic and HHS Policy Councils.
- Coordinated the planning of the Department's non-biomedical research activities.
- Coordinated the review and oversight of the Department's evaluation, non-biomedical research, and major statistical activities.
- Conducted approximately 75 evaluation and policy research studies to provide information on important policy issues.

- Coordinated development of research agendas in several major areas, including long term care, disability, and the homeless.
- Completed the development of the Department's FY 1990 legislative program, resulting in the submission of fifteen bills to the Congress, and prepared justification material for Congressional Committees.
- Initiated the development of the Department's legislative program for FY 1991.
- Completed implementation of new procedures for the Departments' regulatory planning and analysis agenda to improve the timeliness of issuing regulation, focusing on priority regulatory reforms, implementation of executive orders on Family and Federalism, and reducing intrusiveness of HHS rules.
- Guided Departmentwide implementation planning for sixteen major bills enacted by the Congress and approved by the President.
- Improved existing microsimulation models to enhance their ability to simulate policy changes affecting HHS-related populations and issues. Used the models to identify the costs and effects of various policy proposals.

Anticipated Accomplishments

In FY 1991, ASPE will continue to:

- Provide policy-relevant information on national trends concerning public and private human resource activities.
- Provide specific data to develop and assess the impact of new public policy proposals in support of the Department's policy agenda.

Rationale For the Budget Request

The FY 1991 budget proposes $4,915,000 and 80 FTEs for ASPE, an increase of $116,000 from the FY 1990 budget. The increase of $116,000 represents promotions and within-grade increases. The proposed FY 1991 budget level will permit continuance of the development of policy options for Secretarial consideration.

ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
284	$21,042,000	285	$21,416,000	+1	+$374,000

Purpose and Method of Operations

The Office of the Assistant Secretary for Management and Budget (ASMB) advises the Secretary on all aspects of administration and financial management and provides general oversight and direction of the administrative and financial organizations and activities of the Department. ASMB responsibilities involve a number of functions which have been consolidated into four major areas:

1. Financial Services

   Advises the Secretary on all aspects of financial management, and directs, oversees, and coordinates financial management activities across the Department. Serves as Departmental liaison with GAO, OMB, Treasury, and other Federal agencies on financial matters. Manages the Department-wide Payment Management System for distributing over $60 billion annually, and manages the day-to-day finance and accounting activities of the Office of the Secretary. Directs regional reviews and negotiations of cost allocation plans and indirect cost rates with grantee/contractor organizations, and conducts cost determination reviews of ADP facilities operated by State and local governments. Formulates grant/contract audit resolution policy, cost principles, and other grant and contract cost reimbursement policy.

2. Management and Administrative Services

   Formulates policy, assists Departmental agencies and serves as liaison with other federal agencies on procurement, discretionary grants and logistics matters. Manages the Department's small business, disadvantaged business, women's business and labor surplus area programs. Assists in the development of automated information systems to support the Department's procurement, discretionary grants and logistics activities, and monitors agencies programs. Administers the Department's system for delegations of authority and organizational analysis and reviews reorganization proposals. Manages the paperwork reduction/reports clearance programs for the Office of the Secretary. Provides Department-wide leadership and policy direction for real property, physical security, postal management, environmental affairs, occupational safety and health and emergency preparedness. Provides a wide range of administrative services to Departmental agencies and offices located chiefly in the Southwest Washington, D.C. area. Services provided for the Office of the Secretary include EEO support, records management, voice and telecommunications services, occupational safety and health services, facilities and management services for HHS assigned space, engineering support services for Departmental facilities, mail delivery, library services, and reprographics and visual aid services.

3. Information Resources Management Services

Develops the Department's IRM Strategic Plan and policies, and oversees the Department's IRM acquisition management activities. Monitors the Department's implementation of the requirements of the Paperwork Reduction Act of 1980 (P.L. 96-511) and the Paperwork Reduction Reauthorization Act of 1986 (P.L. 99-500). Develops infrastructure and information systems to enhance the Secretary's management of the Department. Provides and supports networked workstations and administrative application systems for the Office of the Secretary. Develops IRM plans and coordinates the IRM activities of OS.

4. Budget Services

Directs the preparation of the Department's annual budget, and prepares the Secretary to present and defend the annual budget before the media and congressional committees. Manages the production of work products prepared specifically for OMB and the Congress, such as justifications of estimates, hearings transcripts and related materials, effect statements, and other materials throughout the budget and appropriations process.

Accomplishments

During FY 1989 and FY 1990, ASMB had the following major accomplishments, which are grouped by functional areas:

1. Financial Services

- Paid out a record $64 billion through the Department's Payment Management System (PMS) and added an additional 1100 recipients to the PMS SMARTLINK system.

- Improved cash management by expanding the third party draft payment mechanism for the Office of the Secretary including the 10 Regions to encompass additional payments, such as, training, subscriptions and vendor payments under $2,500.

- Developed a data collection capability for SMARTLINK I and II to ensure uninterrupted receipt of payment requests from the PMS recipient community using touch-tone phones.
- Developed and issued the Departmental policy standards governing the preparation and issuance of agency financial statements and monitored and provided support to HHS' operating divisions in the preparation, issuance and audit of financial statements following the HHS published plan.
- Implemented as part of the Phoenix Project, the Standard General Ledger in SSA, PHS (HRSA and CDC), and HCFA, thereby accounting for over 97 percent of the Department's funds under the Standard General Ledger.
- Monitored and coordinated loan asset sale activities with OMB and the operating divisions including providing guidance and arranging for the sale of the Health Education Assistance Loan (HEAL) portfolio.
- Developed Department-wide credit card for purchases under $25,000.
- Coordinated Department-wide activities for prompt pay including reporting requirements dictated by OMB due to Prompt Payment Act Amendments of 1988.
- Created a Single Integrated Financial Management System through the standardization required under the Phoenix Project.
- Began implementation of the regional Travel Management System (TMS) and RPASS in the Regional Offices and pilot-tested the automated interface between the Regional Accounting System (RAS) and RPASS.
- Resolved approximately 900 audit reports (compared to 778 in FY 1987 and 1988) on grantee/contractor organizations.
- Directed HHS Regional Divisions of Cost Allocation in conducting over 2,000 annual reviews and negotiations of indirect cost rates and cost allocation plans with State and local governments, universities and other organizations. This activity results in cost savings to Federal programs of over $400 million a year.

2. Management and Administrative Services

- Issued regulations on suspension and debarment under grants and other forms of financial assistance.

- Analyzed the HCFA procurement system as part of the ongoing certification program for the HHS Procurement System. Withheld certification for that system pending accomplishment of corrective actions.

- Led the oversight panel to review price reasonableness on the NIH DCRT multi-million dollar computer contract, up for exercise of the first option year.

- Revised the Department's policy and procedures for managing and accounting for personal property.

- Issued interim regulations implementing the "drug-free workplace" legislation, which requires HHS grantees to certify that they have developed a policy regarding drug use in the workplace, that they have communicated this policy to employees, and that they will report drug-related convictions to the Department.

- Completed Phase One of a landmark "Occupational Study of the Grants Management Profession," to sustain and enhance the professionalization of grants management. HHS is the largest Federal grant-making agency, representing 47 percent of $58 billion of all Federal grants awarded.

- Issued 34 contracts, 154 delivery orders, 200 modifications, 4,480 purchase orders, and coordination of 1,538 addendum, Blanket Purchase Orders, machine repair requests and oral orders. Total awards of $35,804,400 with savings of $7,398,905.

- Revised property management procedures to assure that personal property records accurately reflect the value of Department assets and are reconciled with accounting records. Assisted the Office of Finance in revising Accounting Manual, Chapter 1-30 on recording personal property.

- Conducted a study relating to noncompetitive awards in HHS as part of corrective actions on a material weakness on grant competition cited in the Federal Managers Financial Integrity Act.

- Published a new common debarment rule to link the grants and procurement debarment listings, providing crossover between the two lists and ensuring that debarred organizations cannot receive either Federal grants or contracts.

- Reduced the number of active discrimination complaints at the OS level by 29 percent and increased the number of complaints closed during the year by 86 percent.

- Developed an automated discrimination complaints information system to track processing, generate reports, and analyze causes and resolutions of complaints, and established a new system to implement and monitor actions required by the OS Multi-Year Affirmative Employment Program Plan for minorities and women.

- Increased the number of applicants from groups that are underrepresented in major OS occupations through development of networks and distribution of vacancy announcements.

- Implemented Metered Mail Systems in four HHS Regions. Six out of ten Regional offices are now metering mail. The direct accountability of this system provides accurate reimbursement information and improved mail management.

- Corrected facilities and maintenance related problems at the rate of approximately 450 requests per month, and completed 300 other types of repair, alteration and minor construction tasks.

- Ensured continued telecommunications services for over 1,000 phone units during employee relocations connected with major space consolidation projects.

- Procured and installed over 400 systems furniture workstations in areas in ASMB and ASPER to reduce space and improve the work environment.

- Provided design and renovation services for other components throughout the Southwest Complex, resulting in the relocation of employees and further assisting the Department to meet mandated space reduction targets.

3. Information Resources Management Services

- Completed the first revitalized IRM planning process with the publishing of the Departmental Strategic Plan.

- Developed and began implementation of the HHS Action Plan to address recommendations made by GSA in its

Information Resources Procurement and Management Review Report.

- Implemented the Computer Security Act of 1987 by coordinating and consolidating computer security plans of more than 300 HHS sensitive automated systems and established a Department-wide Automated Information System Security Training and Orientation Program.

- Accommodated the needs of 40 OS handicapped employees for hardware, software, and training to help bring them into mainstream operations.

- Sponsored and assisted the Departmental Connectivity Group to move towards Department-wide interconnections of work stations and computing facilities. Completed interconnections between OS, PHS, and OHDS.

- Managed the OS paperwork burden reduction program consistent with legislative reduction targets and developed the OS Information Collection Budget.

- Effectively integrated the regional staff into the planning and installation of the OS local area network (LAN); connected approximately 500 OS staff in 8 regions and headquarters to the LAN, reaching an OS-wide level of 15 percent of all staff on LANs; provided interchange between the OS LAN and other Departmental electronic mail systems; and established a hot-line service for quick response to network-related problems.

4. Budget Services

- For the FY 1991 Departmental budget, planned all HHS events, including reviewing and making recommendations on Operating Division requests, developing alternative recommendations, managing the budget process, and assuring timely submissions to OMB and the Congress.

- Issued instructions and guidelines to the OPDIVs for reporting under the Inspector General Act Amendments (IGAA) of 1988. The IGAA imposes significant new requirements on HHS' management of the process of resolving, following up, and reporting on Inspector General audits.

- Led and managed the Department's preparation of the Secretary's first semi-annual report to Congress under the Inspector General Act Amendments of 1988.

Anticipated Accomplishments

The ASMB's planned FY 1991 major accomplishments, listed by functional activity, are as follows:

1. Financial Services

- Continue marketing the capabilities of the Payment Management System (PMS) to other Federal Departments and Agencies.
- Add an additional 800 recipients to the PMS SMARTLINK system.
- Develop a plan, specifications, and time frames for the development and implementation of a revised PMS in FY 1992 using the latest relational database technology.
- Complete the development and issuance of a Payment Procedures Manual.
- Install new software to replace the four remaining Primary Accounting Systems and one subsidiary system of the Phoenix Project.
- Implement a comprehensive Office of Finance data integrity and quality control program to insure compliance with Departmental financial systems standard and automated financial data exchange requirements.
- Analyze requirements for financial information required by an Executive Information System (EIS), and develop short term financial EIS capabilities.
- Complete implementation of full consolidation of Regional Divisions of Cost Allocation.
- Establish task order contracts for specialized consultant services to Regional Divisions of Cost Allocation to strengthen DCA reviews and negotiations of certain high cost technical areas (e.g., pension plans, self-insurance funds, engineering studies, etc.)
- Revise and update HHS guides for State and local governments and universities on preparation of cost allocation plans and indirect cost proposals.
- Resolve 450-500 audit reports on grantee/contractor organizations.

2. Administrative and Management Services

- Refine the Safety Management Information System. Modifications will be made to this automated Departmental injury and costs tracking system to become more user friendly, encouraging its use as an occupational safety resource for all managers and employees leading to reduced injury rates and compensation costs.

- Develop and implement plans and procedures for evaluating the effectiveness of HHS occupational safety and health, environmental protection, and physical security programs at all operational levels.

- Assist in the development and implementation of a Department-wide decision support system to permit access to information on grants awarded throughout HHS.

- Finalize development and installation of a fully automated procurement tracking system with feedback capability to project offices.

- Implement logistics management reforms recommended by the Department-wide review of logistics management completed in FY 1990.

- Develop an automated system for conducting reutilization screening of all personal property throughout the Department.

- Continue to reduce the costs of property storage by promoting shared warehousing.

- Increase awards to small businesses by 10 percent in ten targeted industry categories as mandated by the Small Business Competitiveness Demonstration Program (P.L. 100-656).

- Resolve more discrimination complaints at early stages of the process through the use of alternative dispute resolution techniques and mediation training for EEO staff.

- Develop strategies for internal recruitment to enable qualified employees from underrepresented groups to enter occupations with career advancement potential.

- Implement the second phase of the OS Professional Property Management System (PPMS) by utilizing hand-held computers and scanning equipment to read bar codes to conduct inventories.

- Implement a paper recycling program within Office of the Secretary offices located in the Washington Metropolitan area.

- Expand the systems furniture initiative to other Departmental agencies in the Southwest Washington, D.C. Complex, further reducing office space use and renal costs, and improving the work environment.

- Develop a wider array of wellness programs in the HHS Fitness Center, focusing on coordination with the Public Health Service's programs.

- Improve efficiency of building management and space design functions through purchase and utilization of automated project management systems.

- Continue coordination and implementation of major telecommunications initiatives such as Washington Interagency Telecommunications System; Secure Telecommunications Units; Federal Telecommunications System 2000; Local Area Networks in Office of the Secretary, voice mail, and implementation of a fiber optic network in Hubert H. Humphrey Building.

3. Information Resources Management Services

- Complete implementation of the HHS Action Plan to address recommendations made by GSA in its Information Resources Procurement and Management Review Report.

- Update and streamline the HHS IRM Policy to reflect the recent changes in legislation, regulation and technology and develop supplemental procedural handbooks.

- Coordinate the Department's implementation of FTS 2000 and Washington Interagency Telecommunications Systems.

- Complete a study that identifies the Department's National Security and Emergency Preparedness requirements for entry into the National Communication Systems National Level Program.

- Conduct reviews of the IRM programs in the five Operating Divisions and OS to determine effectiveness and compliance with Federal regulations and policy.

- Sponsor and assist the Departmental Connectivity Group to move towards Department-wide interconnections of work stations and computing facilities. Complete Department-wide interconnections between with the addition of HCFA, SSA and FSA.

- Build a formal operational structure to manage the OS Local Area Network (LAN) Utility. Expand LAN connections to the last two regions and to additional offices in headquarters, linking 55 percent of users in OS in conjunction with Staff Division spending.

- Develop plans, in collaboration with ASPER and other organizations, that minimize the dislocations of automation and maximize the use of human resources.

- Develop and demonstrate applications that maximize desktop computing power using a client/server computing architecture across multiple micro, mini, and mainframe platforms. Also, develop prototypes for conversion of major Departmental systems to Fourth Generation client/server environments.

4. Budget Services

- Plan all HHS events for the FY 1992 Departmental budget, including reviewing OPDIV requests, developing alternative recommendations, and assuring timely submissions to OMB and the Congress.

- Provide the Secretary with all budget-related materials and information necessary for presentation to any audience. This involves ensuring that the Secretary is successful in budget presentations in support of the programs of the President.

- Respond to OMB in successfully addressing the major workloads imposed by OMB in support of the annual budget submission and in other budget estimates which occur throughout the year.

- Carry out special projects involving the Department's budget, including review of proposed legislation, regulations, and other policy documents for financial and budget policy implications in an attempt to increase automation of portions of budget submissions. Also, carry out a variety of special analytical tasks, improving the ability to analyze future budget requests in such areas as Medicare contractor operations.

- Design a combined budget formulation and execution system which will provide direct access to personnel, accounting, and other standard data bases of the Department, which will perform automatic functions of allowance review, resource requirement prediction, and management report generation.

- Prepare and present to the Congress a report on HHS management of the process of resolving, following up, and reporting on OIG audits, as required under the Inspector General Act Amendments of 1988.
- Maintain an audit follow-up tracking system for all audits for which the Office of the Secretary is the cognizant agency.
- Continue to improve and strengthen the systems in place for audit follow-up and reporting to Congress under the Inspector General Act Amendments of 1988.
- Manage the operations and implement the policies of the Working Capital Fund.
- Conduct a study of administrative and financial services to regional offices to determine the most efficient service delivery in the 1990s.

Rationale for the Budget Request

The FY 1991 budget request for Management and Budget functions is $21,416,000 and 285 FTEs, an increase of $374,000 from the FY 1990 level. This increase represents the net effect of the January 1990 general pay raise and the 1991 general and executive pay raises.

ASSISTANT SECRETARY FOR PERSONNEL ADMINISTRATION

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
164	$11,042,000	168	$11,211,000	+4	+$169,000

Purpose and Method of Operations

The Office of the Assistant Secretary for Personnel Administration (ASPER) provides leadership in personnel administration in HHS, as well as directly providing personnel and payroll services to the Department.

Through its servicing personnel offices in Southwest Washington D.C. and ten regional offices, ASPER provides personnel services to over 80,000 employees. ASPER also manages the Department's payroll operations, providing pay services to all of the more than 120,000 HHS employees every pay period.

ASPER's headquarters staff provides policy development, oversight, and technical assistance to the Department's Operating Divisions (OPDIVs) in the areas of Equal Employment Opportunity (EEO), recruitment, employee relations, labor-management relations, employee development, employee assistance programs, classification, and compensation.

ASPER also provides administrative services for the Departmental Appeals Board, which decides post-award grant disputes and civil assessment, penalty, and other remedy cases prosecuted by the Department.

Since FY 1984, ASPER has provided personnel services to Social Security Administration (SSA) personnel in Program Service Centers and Data Operations Centers nationwide, through an Inter-Office Transfer Voucher (IOTV) arrangement. Under the IOTV, ASPER has provided functional management of all personnel services, while SSA has provided funding and FTEs. The Working Capital Fund (WCF) Board of Governors has approved the transfer of this activity into ASPER's Regional Personnel operations in the WCF in FY 1991. This transfer will relieve the problems which have resulted from having to manage separate accounts (WCF and IOTV) for providing identical personnel services to different groups of regional employees.

Accomplishments

In the Personnel and Payroll Systems area, accomplishments included the following:

- Completing the installation of all phases of the Improved Personnel Administration through Computer Technology (IMPACT) system, thereby providing the Department with a modern, fully automated personnel system. This includes the capability for managers other than those in personnel offices to electronically initiate personnel actions.
- Completing the development of links between PC-based systems and IMPACT mini-computer systems, so that users can access IMPACT from Local Area Networks (LANs).
- Improving payroll error corrections by developing a computer-based program for training payroll and personnel office staffs in the operation of the Payroll Error Correction System.
- Completing the functional needs description for a new Time and Attendance Subsystem to the Central Payroll System which will allow the electronic collection of data.
- Developing the requirements for an improved Savings Bonds Subsystem and Umbrella Accounting Subsystem.
- Completing the development, testing and implementation of Payroll Processing Subsystems for retirement, unemployment compensation, and health benefits.
- Developing a new Relational Data Base Management System (DBMS) for the Central Payroll System, to improve services to users.

Accomplishments in the area of Personnel Services include:

- Continuing Executive Development activities, including offering residential executive training sessions each quarter, pilot-testing the Succession Planning Model, offering orientation and development to new Senior Executive Services (SES) members, and selecting a third SES Candidate Development Program class.
- Implementing a periodic Department-wide employee survey of organizational climate, as part of a Secretarial initiative to improve the quality of work life.
- Developing and implementing a Lateral Mobility Program to address the training and retraining needs of the HHS work force, so as to meet the challenges of the future.
- Enhancing the automated Executive Personnel System to automate production of standard reports to the Office of Personnel Management (OPM).

- Conducting a comprehensive evaluation of the Department's Employee Assistance Program and formulating recommendations for its improvement.

- Linking automated personnel information and security systems with IMPACT to update and maintain investigative/clearance information on Department employees.

Human Resource Programs accomplishments included:

- Assessing progress by the Department against the objectives of the five-year Affirmative Employment Plan, and reporting accomplishments to the Equal Employment Opportunity Commission (EEOC).

- Conducting an in-depth analysis of veterans' employment in HHS to improve the hiring and retention of all types of veterans, in response to EEOC emphasis on the employment of veterans, particularly disabled veterans.

- Continuing the review and establishment of qualification standards for Native Americans in the Indian Health Service, as required by the Preston court decision.

- Developing new efforts to expand employment options, including flexible working hours, recruitment, working at home, the employment of retired people, and expanded employee services such as day care.

In the area of Human Relations, accomplishments included:

- Expanding the Early Complaints Resolution Process to include additional approaches for the quick resolution of EEO complaints. In FY 1990, the program has expanded to include the Atlanta and San Francisco regions.

- Managing implementation of the Multi-Regional Collective Bargaining Agreement.

- Expanding the Negotiated Discrimination Complaint Arbitration Procedure to OPDIVs and regional bargaining units not represented by the National Treasury Employees Union.

- Providing training in alternative dispute resolution techniques to HHS managers and staff through the Southwest Training Center.

- Expanding the Labor-Management Relations Data Base to allow development of regular comprehensive executive briefings. Reports that will be piloted in ASPER will be implemented for the 95 Collective Bargaining Officers throughout HHS.

Departmental Appeals Board accomplishments included:

- Completing work on grant award docket cases representing $432,000,000 in disputed funds.
- Completing work on 12 appeals from final Administrative Law Judge (ALJ) decisions.
- Completing work on civil money penalty cases representing $1 million in proposed penalties and over 100 years of proposed exclusions for providers who submitted false claims.
- Completing work on new exclusion-only cases representing over 300 years of exclusions for providers who submitted false claims.

Anticipated Accomplishments

Planned objectives for the Personnel and Payroll Systems area in FY 1991 include:

- Implementing the new subsystem to electronically collect Time and Attendance data for pay purposes.
- Developing and implementing systems for debt collection, general ledger accounting, and restored leave processing.
- Reviewing the process used to reconcile payroll accounts, and developing options for further automating and improving the process.
- Continuing the development and implementation of the new Relational DBMS for the Central Payroll System, using a fourth generation programming language.

Objectives in the area of Personnel Services include:

- Improving personnel services in the Regional Personnel Offices by transferring the function of providing personnel services to SSA employees in Program Service Centers and Data Operations Centers from an IOTV arrangement to the ASPER account.
- Establishing an on-going quality assurance program for the HHS Employee Assistance Program.
- Developing analytical tools to better evaluate the Department's training and development initiatives.
- Implementing succession planning throughout HHS and identifying the knowledge, skills, and abilities which HHS executives and managers will need in the next decade.

- **Completing and implementing a fully automated personnel security data system that will link to OPM's Automated Security Index.**

Human Resources objectives for FY 1991 include:

- **Continuing to expand the use of alternative employment opportunities such as flexible working hours, working at home, and the employment of retired people, as well as fostering greater availability of employee services such as day care.**
- Developing policies and methods for granting "instant" cash awards.

In FY 1991, objectives in the area of Human Relations include:

- Renegotiating the Multi-Regional Collective Bargaining Agreement.
- Continuing the expansion of the Labor-Management Relations Data Base.
- Continuing the expansion of the Negotiated Discrimination Complaint Arbitration procedure and other alternative dispute resolution programs.
- Completing regional implementation of the Early Complaints Resolution Process by expanding the process to the final four regions: Boston, Kansas City, Denver, and Seattle.

In FY 1991, the Departmental Appeals Board will handle an increased workload with four additional FTEs and the application of state-of-the-art computer technology. The additional FTEs and computer technology will both be needed to process cases in a timely fashion and avoid judicial appeals by providers who do not receive timely civil remedies hearings.

Accomplishments for the Board will include:

- Completing work on grant award docket cases representing $435,000,000 in disputed funds.
- Completing work on 31 appeals of final ALJ decisions.
- Completing work on civil money penalty cases representing $1.2 million in proposed penalties and over 120 years of proposed exclusions for providers who submitted false claims.
- Completing work on exclusion-only cases representing over 350 years of exclusions for providers who submitted false claims.

PROGRAM IMPACT DATA:

	FY 1989		FY 1990		FY 1991	
	No. of Items	FTE	No. of Items	FTE	No. of Items	FTE
Personnel and Payroll Systems						
Payroll services and accounting		220		230		240
- Paychecks issued biweekly	133,000		132,000		131,000	
- Paychecks issued monthly to active and retired PHS Commissioned Officers, beneficiaries of retired Commissioned Officers, and medical students	15,000		15,000		15,000	
- Debt collection actions processed biweekly	2,100		2,350		2,500	
- Pay and leave records updated annually (e.g., amended time cards, late personnel actions, pay correction cards, lump sum leave payments)	58,000		52,000		50,000	
- Retirement actions processed annually	22,500		22,500		15,000	
- Unemployment compensation actions taken annually	8,300		8,300		8,000	
Requirements analysis to modify the Personnel and Payroll Systems and/or to alter support services provided as a result of system changes requested by personnel offices	300	13	325	13	350	13
Systems development		7		10		10

PROGRAM IMPACT DATA:

	FY 1989		FY 1990		FY 1991	
	No. of Items	FTE	No. of Items	FTE	No. of Items	FTE
Personnel Services						
Services to employees located in Southwest Washington D.C. and to certain regional employees		58		58		58
- Personnel and pay actions processed	28,000		28,000		28,000	
- Persons receiving job information	11,000		10,000		10,000	
- Employees receiving career counseling	90		90		90	
- Employees receiving personal counseling on substance abuse and other problems	150		200		200	
- Employees receiving counseling and benefits	300		300		300	
Actions in support of Advisory Committee management activities (e.g., charters, nominations, availability cards, invitations)	3,760	2	4,000	3	4,000	3
Security investigations processed	4,550	6	6,000	6	5,000	6
Number of employees to whom Human Resources Management Index is administered	78,000	2	16,000	2	16,000	2
Employee counselling in regional areas	2,894	8	3,000	8	3,000	8
Executive personnel and career development activities		28		30		30

PROGRAM IMPACT DATA:

	FY 1989		FY 1990		FY 1991	
	No. of Items	FTE	No. of Items	FTE	No. of Items	FTE
Number of employees located in Southwest Washington, D.C. who are trained at the Southwest Training Center	1,200	2	1,200	2	1,200	2
Number of training instances taken by employees through the Southwest Training Center	250	1	350	1	350	1
Departmentally sponsored awards to employees	100	2	100	2	100	2
Human Resources Programs						
Technical assistance on policies or programs (e.g., pay, benefits, performance management, affirmative action, employment, disciplinary actions, grievances, evaluations, awards and financial disclosure), and on guides and models developed to assist in policy interpretation	3,100	23	3,100	20	3,300	20
Policy issuances, legislative proposals, regulations, standards reviewed or issued	125	13	125	11	120	11
Personnel program assessments and special studies supported, conducted, and reviewed	21	6	25	6	30	6
Affirmative action plans and activities	20	3	20	3	25	3

PROGRAM IMPACT DATA:

	FY 1989		FY 1990		FY 1991	
	No. of Items	FTE	No. of Items	FTE	No. of Items	FTE
Human Relations						
Oversight of EEO counseling	1,600	1	1,600	1	1,600	1
Fact finding and dispute resolution	829	13	834	13	834	13
Hearings, decisions, and appeals	525	7	525	7	525	7
Program monitoring	2,102	9	2,253	9	2,253	9
Labor-Management Relations negotiations and consultations		4		4		4
Third party and arbitration appeals		1		1		1
Departmental Appeals Board						
Appellate cases		19		20		22
- Received	224		263		292	
- Decisions issued	102		110		119	
- Closed	246		258		277	
Remedy cases		6		12		12
- Received	100		110		120	
- Hearings held	15		35		40	
- Closed	35		103		120	
Totals		25		32		34
- Received	344		373		412	
- Decisions/Hearings	117		145		159	
- Closed	281		361		397	
Executive Direction and Administrative Support						
Executive direction		6		6		6
Administrative support		7		7		7

Rationale for the Budget Request

The $11,211,000 requested in FY 1991 is an increase of $169,000 over FY 1990. This increase will partially fund the costs of both the general and the Executive Service pay raises in 1991.

FIELD MANAGEMENT

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
37	$2,596,000	37	$2,626,000	---	+$30,000

Purpose and Method of Operations

Field Management is composed of a headquarters office and the ten Offices of the Regional Directors. This component undertakes a variety of assignments for the White House, the Secretary, the Under Secretary, and the Deputy Under Secretary in the areas of intergovernmental affairs and administration and management issues.

Accomplishments

During FY 1989 and FY 1990, the headquarters component and Regional Directors' offices achieved the following:

- Provided advice to State and local entities about the potential impact on them of proposed Departmental actions in legislative, regulatory, and administrative decisions.
- Provided recommendations for resolving in-service, program integration, and service delivery problems, and for assuring implementation of cross-program policies in the field.
- Provided Departmental leadership in several areas, including many reflected on the Secretary's agenda (i.e., transportation, historically Black colleges and universities, and CASU initiatives).
- Represented the Secretary and the Under Secretary in contacts with officials from other Federal agencies, Congressional committees, members of Congress, the White House, officials of State and local governments, their representative organizations, and non-government organizations.

Promoted general public understanding of programs, policies, and objectives of the Department.

Anticipated Accomplishments

In FY 1991, the headquarters component and Regional Directors' offices will:

- Complete the establishment of a computerized information system between headquarters and the Regional Directors' offices.
- Continue to represent the Secretary and the Under Secretary in contacts with officials from other Federal agencies, Congressional committees, members of Congress, the White House, officials of State and local governments, their representative organizations, and non-government organizations.
- Continue to provide advice to State and local entities about the potential impact to them from proposed Departmental actions in legislative, regulatory, and administrative decisions.
- Continue to provide recommendations for resolving Departmental issues concerning program integration and cross-program policies in the field.
- Continue to promote general public understanding of Departmental programs, policies, and objectives.

Rationale for the Budget Request

The FY 1991 budget request of $2,626,000, an increase of $30,000 over FY 1990, will allow Field Management to continue to perform its assigned tasks, particularly in the areas of intergovernmental affairs, administration and management of regional operations, and the coordination of Secretarial objectives.

RENT AND COMMON EXPENSES

GDM/OGC:	FY 1990 Estimate [a]	FY 1991 Request [a]	Increase or Decrease
RENT............................	$13,060,000	$13,713,000	+$653,000
Related Services/Common Expenses	6,021,000	5,345,000	-676,000
Total.....................	$19,081,000	$19,058,000	-$23,000

Purpose and Method of Operations

Rental payments to GSA (RENT) include funds for the renting of office space, non-office space, and parking facilities, and for the procurement of related services such as housekeeping, security, building maintenance, and renovations.

Common Expenses includes funds to cover administrative items and activities which cut across and impact all STAFFDIVs. The major costs in this area include telecommunications, postage, printing, Workmen's Compensation, Unemployment Insurance, and health units. Previously, funding for these activites was included as an overhead cost in each STAFFDIV's individual estimate, allocated on a pro rata basis. However, since these projects are centrally managed, displaying these costs in a centralized format provides a more appropriate perspective on GDM costs. The only exception is OGC; RENT and common expenses amounts for them are included in the overall OGC figures.

Accomplishments

In FY 1990, the Department's Office of Management and Acquisition (OMAC) has continued its space reduction campaign for the Office of the Secretary. The primary feature of this plan is the installation of up to 1,500 space-reducing systems furniture workstations in Departmental headquarters space. Installation of the first several phases of these workstations, along with general space consolidation, has reduced the average space utilization rate for OS to just under 135 square feet per workstation. In FY 1991, OMAC will install the remainder of the OS systems furniture workstations. They will then continue working with the STAFFDIVs to reduce office space inventory and space utilization rates wherever possible, and to ensure that all space reduction accomplishments are maintained.

Rationale for the Budget Request

The $653,000 RENT increase between FY 1990 and FY 1991 is due to the GSA rate increase of five percent.

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[a] Excludes the following RENT amounts for the Working Capital Fund: FY 1990 - $7,857,000; FY 1991 - $8,660,000.

WORKING CAPITAL FUND

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
General Departmental Management share:			
Direct Program...	$2,987,000	$3,169,000	+$182,000
General Counsel..	$1,335,000	$1,349,000	+$14,000
Total Obligations....	$86,956,000	$92,480,000	+$5,524,000
(FTE)................	(1,160)	(1,157)	(-3)

Purpose and Method of Operations

The Office of the Secretary Working Capital Fund (WCF) was authorized in 1952 by 42 U.S.C. 3513. This legislation permitted the Department to establish a fund without fiscal year limitation for the expenses necessary to maintain and operate the following centralized activities:

- reproduction service
- visual exhibit service
- supply service for supplies and equipment
- tabulating service
- accounting and payroll service
- laborers' service
- telephone, mail and messenger services.

Subsequent legislation contained in 42 U.S.C. 3513(a) and 3513(b) expanded the WCF to include the following:

- centralized personnel data collection and reporting
- common regional administrative support services
- common personnel support services in the Southwest Washington D.C. area.

For ten years prior to FY 1988, the Department limited its use of the WCF to the Reprographics function, and funded it entirely from the General Departmental Management (GDM) appropriation. In FY 1988, the Department expanded its use of the WCF authority by financing the following additional activities, all of which are detailed in the individual Staff Division (STAFFDIV) sections of this FY 1991 request:

- payroll and personnel services for headquarters and regions (ASPER)
- Payment Management System (ASMB)
- finance and accounting services (ASMB)
- regional finance and administrative services (ASMB)
- unique supplies (ASMB).

Each activity financed through the WCF is separately billed to the Department's Operating Divisions (OPDIVs), based upon either actual fee-for-service costs or an allocation formula based on OPDIV employment levels.

In addition to the above activities, the Fund also includes Cooperative Administrative Support Units (CASUs) in the Kansas City and New York Regional Offices. The CASU arrangement was established under a government-wide initiative of the President's Council on Management Improvement. The purpose of a CASU is to reduce costs and eliminate waste by having a lead agency of a Federally-occupied building provide common administrative services (e.g., mail, printing, warehousing) on a reimbursable basis to other Federal tenants of that building. HHS is the lead agency for the CASUs in Kansas City and New York.

The day-to-day operations of each WCF activity are the responsibility of the Office Director for the STAFFDIV which performs the activity. The financial operations of the Fund are managed by a WCF Manager, who has overall responsibility for fiscal and budgetary policies and procedures. The WCF Manager advises the WCF Board of Governors, which is comprised of representatives from both the OPDIVs (the recipients of WCF services) and the STAFFDIVs (the providers of the services). The Office of Inspector General (OIG) serves as an ex-officio member of the Board. The Board was constituted in FY 1987 and is designed to permit the OPDIVs and STAFFDIVs to have greater control over service delivery and fees than was possible in the past. The current structure of the WCF is designed to ensure maximum fiscal accountability and efficiency of service.

Following is a brief description of the WCF's accomplishments, as well as tables displaying comparable funding levels by both activity and OPDIV for FYs 1990 and 1991. The Fund's staffing levels are included in the "Detail of Permanent Positions" for GDM.

Accomplishments

Highlights of WCF accomplishments to date include:

- Establishing a Board of Governors with representation by all OPDIVs and major STAFFDIVs (ASMB, ASPER, and OIG);
- Obtaining Board approval of the WCF Charter in June, 1987;
- Transferring management of the Fund from the Office of Finance to the Office of Budget, to better align Fund operations with the budget policy and planning functions of the Office of the Secretary;

- Developing capital budgets for FYs 1990 and 1991, based on accumulated Fund earnings and the need for replacement equipment to support Fund activities. Such capital budgets will foster a practice of regular replacement of equipment and will prevent wide swings in Fund prices for services from year to year due to capital acquisitions;

- Improving the efficiency and inventory management of the Unique Supplies activity by transferring it from the GDM appropriation to the Fund. Conversely, the Correspondence Control activity was removed from the Fund and more appropriately placed under GDM;

- Operating the Fund on a fully-funded, business-like basis by including the cost of property depreciation, accrued annual leave, and other Fund overhead costs in the OPDIV billings, so as to recover the full cost of Fund services;

- Developing policies, accounting and billing procedures, and systems enhancements necessary for the conversion of certain WCF activities from an allocable to a fee-for-service pricing basis in FY 1990. These activities include the Payment Management System, Payroll and Personnel Services, Southwest Personnel Services, Regional Personnel Services, and EEO Investigations;

- Increasing the percentage of the Fund's activities billed on a fee-for-service basis from six percent in FY 1989, to 69 percent in FY 1990.

- Completing the first audit of the Fund by OIG, including a comprehensive review of the Fund's operations, financial statements and balances as of September 30, 1988. No significant weaknesses were identified in the final audit report;

- Transferring the Regional Legal Services activity from the Fund to the consolidated Office of the General Counsel in FY 1990, so as to centralize all legal services provided to the Department.

Anticipated Accomplishments

Future objectives include:

- Continuing to move other Fund activities towards the most competitive, business-like basis possible, by reducing Fund operating costs and by basing the price of services on their true cost to the OPDIV customers, rather than by an allocation formula;

- Allowing WCF customers to contract with a service provider other than the Fund, if doing so would enable them to obtain services comparable to the Fund's for a lower total cost or for better service quality;
- Transferring the ASPER/SSA Inter-Office Transfer Voucher (IOTV) function into the Fund in FY 1991 as part of ASPER's Regional Personnel Services function. This function was previously handled as a reimbursable arrangement;
- Revising the Fund's authorizing legislation to permit additional OS activities to be included in the Fund on a fee-for-service basis.

Rationale for the Budget Request

The $5,524,000 increase from FY 1990 to FY 1991 is comprised of increases in several Fund activities, as detailed below:

Division of Cost Allocation Consultants Funds are included for the regional Division of Cost Allocation to utilize outside consultants for specialized support in their negotiations of indirect cost rates and cost allocation plans. This support will strengthen the review and negotiation of indirect and administrative costs assessed against Federal programs, and is estimated to result in increased cost savings to those programs.

EEO Complaint Investigations The FY 1991 request reflects the latest estimate of the cost of a new contract for these investigations. This projected increase is based on the estimated hourly rates for investigators and clerical staff, travel costs, and the number of cases to be investigated.

Personnel and Payroll Automation Initiatives Funds are included to continue enhancing and improving the Personnel and Payroll systems, including a U.S. Savings Bond remail system, an automated tracking system for restored leave, improved W-2 processing, and implementation of a relational data base management system to facilitate software modifications to the central system. Also included are funds for costs resulting from increased ADP processing time required by the new systems and subsystems being implemented.

Accounting Systems Funds are included to allow off-the-shelf software packages to be modified to fully meet HHS requirements, and to develop additional Phoenix functional modules, such as property and grants management, and training.

Regional Cooperative Administrative Support Units Funds are included to support additional services requested by the CASU Tenant Boards, including recycling, private sector temporaries, courier service, telecommunications, guard coordination, fire/safety/health management, and records management.

GSA Rent and Related Services While no increase in square footage is projected for FY 1991, funds are included to cover the effects of rate increases for GSA Rent and other services.

Personnel Compensation and Benefits Funds are included to cover the cost of the FY 1990 general pay raise, as well as the cost of 50 percent of the FY 1991 general and executive pay raises.

TABLE OF COMPARABLE ESTIMATES

	FY 1990		FY 1991	
Function	FTE	Obligations	FTE	Obligations
Allocable Activities:				
Finance and Accounting..	57	$ 5,418,000	57	$ 5,699,000
Regional Finance and Administration.........	280	20,029,000	280	18,989,000
Total................	337	25,447,000	337	24,688,000
Fee-For-Service Activities:				
Payroll and Personnel...	756	48,880,000	753	54,241,000
Payment Management System.................	45	5,012,000	45	5,285,000
Reprographics...........	16	3,515,000	16	3,790,000
Unique Supplies.........	1	329,000	1	372,000
CASU....................	72[a]	3,773,000	81[a]	4,104,000
WCF Management..........	5	425,000[b]	5	469,000[b]
Total................	823	61,509,000	820	67,792,000
Total Expenses..........		86,956,000		92,480,000
Less: Depreciation......		-2,718,000		-2,735,000
Total Operating Expenses	1,160	$84,238,000	1,157	$89,745,000

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[a] FTEs for CASUs are not included in totals.

[b] Dollar amounts for WCF Management are non-add amounts, as they are distributed within the other WCF activities as overhead.

OFFICE OF THE SECRETARY
WORKING CAPITAL FUND

Comparable Estimates By Operating Division — FY 1990

Function	Total	Allocation To: PHS	SSA	HCFA	HDS	FSA	OS
Allocable Activities:							
Finance and Accounting..	$5,418,000	$ 842,000	$ 277,000	$ 310,000	$1,601,000	$ 101,000	$2,287,000
Regional Finance and Administration.........	20,029,000	4,880,000	6,102,000	3,304,000	1,973,000	1,880,000	1,890,000
Total...............	25,447,000	5,722,000	6,379,000	3,614,000	3,574,000	1,981,000	4,177,000
Fee-For-Service Activities:							
Payroll and Personnel...	48,880,000	9,303,000	33,812,000	1,330,000	783,000	762,000	2,890,000
Payment Management System.................	5,012,000	3,336,000	25,000	816,000	375,000	458,000	2,000
Subtotal............	53,892,000	12,639,000	33,837,000	2,146,000	1,158,000	1,220,000	2,892,000
Reprographics...........	3,515,000						
Unique Supplies.........	329,000						
CASU....................	3,773,000						
Total...............	61,509,000						
Total Expenses..........	86,956,000	$18,361,000	$40,216,000	$5,760,000	$4,732,000	$3,201,000	$7,069,000
Less: Depreciation......	-2,718,000						
Total Operating Expenses	$84,238,000						

OFFICE OF THE SECRETARY
WORKING CAPITAL FUND

Estimates By Operating Division — FY 1991

		Allocation To:					
Function	Total	PHS	SSA	HCFA	HDS	FSA	OS
Allocable Activities:							
Finance and Accounting..	$5,699,000	$ 885,000	$ 291,000	$ 326,000	$1,685,000	$ 107,000	$2,405,000
Regional Finance and Administration........	18,989,000	4,473,000	6,030,000	3,140,000	1,824,000	1,654,000	1,868,000
Total................	24,688,000	5,358,000	6,321,000	3,466,000	3,509,000	1,761,000	4,273,000
Fee-For-Service Activities:							
Payroll and Personnel...	54,241,000	10,435,000	37,286,000	1,483,000	890,000	864,000	3,283,000
Payment Management System................	5,285,000	3,518,000	26,000	860,000	395,000	484,000	2,000
Subtotal.............	59,526,000	13,953,000	37,312,000	2,343,000	1,285,000	1,348,000	3,285,000
Reprographics...........	3,790,000						
Unique Supplies.........	372,000						
CASU....................	4,104,000						
Total................	67,792,000						
Total Expenses..........	92,480,000	$19,311,000	$43,633,000	$5,809,000	$4,794,000	$3,109,000	$7,558,000
Less: Depreciation......	-2,735,000						
Total Operating Expenses	$89,745,000						

OFFICE OF THE GENERAL COUNSEL

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
760	$44,880,000	735	$46,376,000	-25	+$1,496,000

Purpose and Method of Operations

The Office of the General Counsel (OGC) provides legal advice and representation to the Secretary and the entire Department on matters of policy guidance and general management. This includes managing the substantial legal workloads associated with the Department's programs, as well as implementing the legal courses of action necessary to uphold Congressional intent and Departmental policy in all areas in which HHS has statutory authority. The head of OGC, the General Counsel, is responsible for the following: directing the operation of OGC's specialized legal divisions, which are aligned with the Department's major programs; supervising the activities of the Regional Counsels; and providing centralized support for all legal services. Staff efforts and legal workloads are concentrated in the following areas:

1. Litigation - representing the Department in complaints arising out of Departmental actions;

2. Advice - preparing legal opinions and instruments, as well as drafting and commenting on legislative proposals;

3. Rulemaking - reviewing proposals to issue, amend, or revoke regulations;

4. Support - providing automated case tracking and opinion retrieval systems, word processing, and administrative services.

Prior to FY 1990, the OGC budget consisted of three separate components: Headquarters staff were funded from the General Departmental Management (GDM) appropriation, while Social Security Disability Litigation staff and Regional Legal Services staff were funded from the Social Security Administration and Working Capital Fund budgets, respectively. In order to centralize all legal services to the Department and maximize budgetary flexibility in meeting unanticipated needs, the Congress has approved combining these three components into a single consolidated line item within the overall GDM account.

Following are OGC's planned FY 1990 and FY 1991 accomplishments, listed by major activity.

1. HEALTH CARE FINANCING ADMINISTRATION (HCFA)

FY 1990 Accomplishments

- Assisted HCFA in the continuing implementation of Medicare and Medicaid amendments enacted by the Congress, including those in the Omnibus Budget Reconciliation Act (OBRA) of 1986 (P.L. 99-509), OBRA 1987 (P.L. 100-203), the Family Support Amendments of 1988 (P.L. 100-585), the HMO Amendments of 1988 (P.L. 100-517), and the Clinical Laboratories Improvement Amendments of 1988 (P.L. 100-578).
- Assisted HCFA in the implementation of legislation enacted by the 101st Congress, including the Medicare and Medicaid amendments contained in OBRA 1989 and the Medicare Catastrophic Repeal Act of 1989. The OBRA 1989 amendments made significant changes in the Medicare payment system for physicians' services.
- Assisted HCFA in the development of policies which permit various non-governmental accreditation organizations to be used in surveying certain facilities (e.g., clinical laboratories, home health agencies) for compliance with Medicare participation requirements.
- Defended in court an entirely new category of cases resulting from the statutory expansion of Medicare Part B appeal rights and Federal court jurisdiction over Part B claims.
- Represented the Department before the Departmental Appeals Board (DAB) in cases where hundreds of millions of dollars in Medicaid claims were at issue.
- Obtained favorable judgments or settlements in a number of affirmative suits brought to recover overpayments resulting from the Medicare secondary payor provisions. Total recoveries could exceed $100 million.
- Successfully defended the remaining issues in a challenge to the proposed reduction in Medicare reimbursement to certain suppliers of home dialysis equipment and supplies. Resulting savings should approach $50 million.
- Assisted HCFA in the promulgation of final regulations concerning the following: reimbursement of photocopy costs associated with Peer Review Organization (PRO) reviews; disclosure of PRO information to State

licensing and certification agencies; PRO denials of payment for substandard quality of care; the necessity of assistants at cataract surgery; State Medicaid reviews of the quality of care provided to recipients enrolled in HMOs or private health plans; and patient "dumping".

FY 1991 Planned Accomplishments

- Assist HCFA in the continuing administration of the Medicare, Medicaid, and Utilization and Quality Control PRO programs, as well as the Clinical Laboratories Improvement Act. This includes the development of regulations, instructional materials, reports to Congress, Secretarial correspondence, responses to reports of GAO and the HHS Inspector General, and the furnishing of other formal and informal legal advice.
- Participate in completing the incorporation into HCFA's regulations of extensive amendments enacted in OBRA 1986, OBRA 1987, the HMO Amendments of 1988, the Family Support Amendments of 1988, and further statutory amendments anticipated from the 101st Congress.
- Participate in completing the extensive recodification and revision of HCFA's regulations (now consisting of two volumes in the Code of Federal Regulations), as part of HCFA's long-term recodification plan to make the regulations easier to use and understand. Further amend the regulations in response to court decisions and program experience.
- Continue to provide more intensive assistance to HCFA in the development of regulations, rulings, and instructions, so as to permit them to be issued more quickly and with greater assurance of legal defensibility.
- Defend against anticipated lawsuits challenging the planned survey and certification regulations for nursing homes.
- Defend suits against a host of new fee schedules, including those for durable medical equipment, radiologists and certified registered nurse anesthetists.
- Defend against suits brought challenging regulations implementing amendments enacted in OBRA 1986, OBRA 1987, the HMO Amendments of 1988, and other statutory amendments anticipated in the 101st Congress.
- Defend the Department in litigation challenging the implementation of the Clinical Laboratories Improvement Act.

- Assist HCFA in developing policies to extend PRO reviews into ambulatory settings, including physicians' offices.

2. SOCIAL SECURITY ADMINISTRATION (SSA)

FY 1990 Accomplishments

- Defended SSA's administrative determinations in Old Age, Survivors, and Disability Insurance (OASDI) cases by handling approximately 10,000 new court cases and 33,000 pending cases.

- Defended court challenges to SSA's procedures for the following: determining whether to issue a Social Security number; setting income accounting policies in the Supplemental Security Income (SSI) program; and determining whether an applicant is qualified to be a representative payee for a recipient of Social Security benefits.

- Defended court challenges to new regulations which specify the procedures by which SSA will determine whether it is appropriate to acquiesce to a U. S. Court of Appeals decision which is in conflict with SSA's adjudicatory policy.

- Defended a court challenge seeking to compel SSA and the Internal Revenue Service to fully credit, within specified timeframes, the earnings records of all wage earners for all earnings reported to the Federal government in the last ten years.

- Participated more directly in the development of SSA regulations by having an OGC attorney serve on the Agency team that will prepare regulatory specifications and regulatory text.

- Assisted SSA in developing a final regulation setting forth more specific guidelines for the evaluation of symptoms (including pain) in adjudicating Social Security and SSI disability claims.

FY 1991 Planned Accomplishments

- Defend SSA's benefit determinations by handling a projected 10,450 new court cases and 26,050 pending cases.

- Defend against broad-based Constitutional challenges to the Social Security programs.

- Coordinate with SSA officials in the development of sound, cost-effective measures for implementing future legislation and other policy changes affecting the OASDI and SSI programs.

- Defend against court challenges to newly promulgated SSA regulations addressing SSA's policy on pain and the use of treating physicians' reports to determine a claimant's entitlement to disability benefits.

- Successfully defend against anticipated court challenges to regulations promulgated by SSA that will significantly alter many of SSA's claims adjudication policies and procedures.

- Assist in the implementation of the Computer Matching and Privacy Protection Act, and successfully defend against anticipated court challenges to that implementation.

- Assist SSA in improving its procedures for providing representative payment where it is needed.

3. OFFICE OF INSPECTOR GENERAL (OIG)

FY 1990 Accomplishments

- Reviewed and supervised the investigation of approximately 60 cases seeking recoveries of monies under the Civil Money Penalty Law (CMPL) for fraud against the Medicare and Medicaid programs. OGC expects to issue demand letters and prosecute in administrative litigation 25 of these cases.

- Reviewed and supervised the investigation of approximately 30 cases seeking CMPL recoveries of monies for the unlawful "dumping" of emergency room patients who were either in active labor or had unstable medical conditions. Approximately ten of these cases will result in demand letters and administrative litigation.

- Issued the first testimonial subpoenas under OIG's new and precedential authority to subpoena the testimony of witnesses under oath for the purpose of CMPL investigations.

- Reviewed an increased number of OIG cases (approximately 600) proposing exclusion of health care providers from the Medicare and Medicaid programs. Approximately 150 of these cases will result in administrative litigation.

- Continued to defend all litigation resulting from the hundreds of exclusions already imposed by OIG on health care providers in the Medicare and Medicaid programs.

- Drafted proposed regulations and assisted OIG in the implementation of approximately 75 new sanction and enforcement authorities enacted by COBRA 1985, OBRA 1986, OBRA 1987, and the Health Care Quality Improvement Act of 1986.

- Issued over 200 administrative subpoenas in support of OIG audits and investigations. In cases where a subpoena was challenged (approximately 15 instances), represented the Federal government in court to defend enforcement of the subpoena.

- Coordinated OIG auditors and investigators on highly sensitive internal investigations resulting from allegations against high-level HHS employees and officials.

- Promulgated final rules implementing 14 exclusion authorities enacted by the Medicare and Medicaid Patient and Program Protection Act of 1987. These included new hearings and appeals regulations for all administrative hearings concerning OIG cases.

- Defended the Department and OIG in approximately ten U.S. District Court and Court of Appeals cases which sought either reviews of final CMPL or exclusion administrative actions, or temporary restraining orders and injunctions against exclusions which OIG is seeking to put into place.

- Assisted U.S. Attorney's offices with the prosecution of 25 cases involving violations of the Medicare anti-kickback law.

FY 1991 Planned Accomplishments

- Provide continued assistance in OIG cases seeking CMPL recoveries of monies for fraud against the Medicare and Medicaid programs. These cases are expected to continue at the same rate as in FY 1990.

- Provide continued assistance in OIG cases seeking CMPL recoveries of monies for the unlawful "dumping" of emergency room patients. These cases are expected to continue at the same rate as in FY 1990.

- Provide continued assistance in OIG cases proposing exclusion from Medicare and Medicaid on current statutory grounds. These cases are expected to continue at the same rate as in FY 1990.

- Provide assistance on expanded numbers of CMPL and exclusion cases handled under expanded numbers of statutory authorities. (Since 1984, the total number of statutory authorities for CMPL and exclusions has been increased by Congress from eight to 84).

- Prosecute the first cases under the new Program Fraud Civil Remedies Act, 31 U.S.C. Section 3801 et seq., which established an administrative remedy for fraud against the Department.

- Defend the Department and OIG in approximately 20 U.S. District Court or Court of Appeals cases which are seeking either reviews of final CMPL or exclusion administrative actions, or temporary restraining orders and injunctions against exclusions which OIG is seeking to put into place.

4. PUBLIC HEALTH SERVICE (PHS) (Other Than FDA)

FY 1990 Accomplishments

- Remained heavily involved in AIDS-related activities, including: advising PHS on the numerous issues involved in the development and production of AIDS treatments and vaccines; monitoring ongoing activities and providing technical advice to the Presidential Commission on AIDS; reviewing all updated guidelines and recommendations for the prevention of AIDS transmission; and providing advice on the politically sensitive issue of using needle exchange programs to reduce the spread of AIDS.

- Assisted PHS in placing in operation the National Practitioner Data Bank, under the authority of the Health Care Quality Improvement Act of 1986.

- Coordinated with the Department of Justice, the Department of Housing and Urban Development, GSA, and the Interagency Council on the Homeless to restructure the procedures for processing applications under Title V of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77). This helped to ensure efficiency and eliminate confusion in the leasing of unutilized and underutilized Federal property for use as facilities to assist the homeless.

- Assisted the National Institute on Drug Abuse with the difficult task of implementing new legislation to regulate employer drug testing and laboratory drug screening in the private sector.

- Assisted in the development of conflict-of-interest guidelines for intramural researchers participating in cooperative research and development agreements under the Federal Technology Transfer Act and/or entitled to receive royalty income under that Act.

- Received and reviewed 150 petitions for compensation under the Childhood Vaccine Injury Compensation Act.
- Defended against lawsuits involving recombinant DNA research, animal rights, and environmental issues which could limit the Federal government's right to conduct and support biomedical research.
- Worked with PHS to collect monies from National Health Service Corps (NHSC) scholarship recipients who have defaulted on their service obligations, and from student loan recipients who have defaulted on repayments. Also assisted in recoveries from grantees under the Hill-Burton and Community Mental Health Centers programs.

FY 1991 Planned Accomplishments

- Remain involved in providing legal services on AIDS-related issues.
- Continue to provide NIDA with advice on the President's drug-testing program, private sector laboratory certification for drug abuse screening, and activities to reduce the demand for illicit drugs.
- Recommend legislative and programmatic changes to ensure that Title V of the McKinney Act continues to meet the needs of the changing homeless population.
- Continue to work with PHS to collect monies from recipients who default on NHSC, Mental Health Training, and National Research Service Award service obligations and from student loan recipients who default on repayment. Also assist in recoveries from grantees under the Hill-Burton and Community Mental Health Centers programs.
- Represent the Department in contested debarments of researchers found to have falsified research results or to have committed other acts constituting misconduct in science.
- Assist in the defense of lawsuits involving controversies over Indian health matters, including the allocation of Indian Health Service resources under the Indian Self-Determination Act, and Federal versus State responsibilities for Indians.

- Assist in the defense of the National Institute for Occupational Safety and Health (NIOSH) in litigation relating to the implementation of new respirator regulations.

- Defend the Agency for Toxic Substances and Disease Registry in suits brought against it relating to its implementation of EPA Superfund statutes.

- Conduct litigation and administrative proceedings relating to the implementation of the Childhood Vaccine Injury Compensation Act.

5. FOOD AND DRUG ADMINISTRATION (FDA)

FY 1990 Accomplishments

- Assisted FDA in developing final rules on the following: cholesterol labeling, infant formula, sulfites, expedited approvals for new drugs, abbreviated applications for new drugs, methadone, tampons, orphan drugs, and supplemental approvals of animal drug applications.

- Participated in developing investigational and scientific evidence, prepared court papers, and conducted motions and trial practice in support of the Agency's review of general litigation (which included approximately 25 prosecutions, 25 injunctions, and 250 civil seizure actions), and defended the 20-30 lawsuits filed against the Agency.

- Provided technical assistance on significant legislative initiatives involving generic drugs, pesticide regulation, food safety, and medical device regulation.

- Assisted FDA in completing work on provisionally listed color additives. Defended against all resulting lawsuits.

- Assisted in FDA's response to problems in the generic drug program, and provided guidance on evidence development and other issues arising during the generic drug criminal investigations.

- Advised FDA on the procedures to be followed in promulgating performance standards for infant apnea monitors and other medical devices.

- Assisted in the development of proposed rules on generic animal drug approval procedures, animal drugs records and reports, and in the transfer to the United States Pharmacopeia (USP) of certain FDA responsibilities for antibiotic drug monographs.

- Assisted FDA in pursuing regulatory actions against establishments which market meat illegally treated with drugs, and against pesticide and microbial contaminants in food.

FY 1991 Planned Accomplishments

- Assist in developing proposed and final regulations identified for action in FDA's food labeling initiative.

- Many of the specific items mentioned above under FY 1990 Planned Accomplishments will generate work into FY 1991, e.g., vaccine liability lawsuits, enforcement litigation, generic drug law interpretations, and litigation.

- Issues will continue to arise in the following areas: AIDS; expediting the drug approval process; biotechnology; technology transfer; artificial food ingredients (fats, sweeteners, etc.); health claims on food labels; health fraud matters; animal drug residues; and new medical device technology.

- Enforcement litigation increasingly involves complex issues related to violations such as mail and wire fraud, false reports, conspiracy, etc., which are more time and resource intensive than the typical food sanitation case. This trend is expected to continue, thus placing a greater burden on the legal staff.

6. FAMILY SUPPORT ADMINISTRATION (FSA)

FY 1990 Accomplishments

- Provided extensive legal guidance and advice to FSA on legislative proposals to amend the 1988 welfare reform initiatives (P.L. 100-485), so as to strengthen the AFDC work programs and clarify the scope of the Emergency Assistance program.

- Participated in implementing final regulations regarding medical support enforcement orders in the Child Support Enforcement (CSE) program, which will result in a significant reduction in Medicaid expenditures. Also, participated in implementing regulations requiring mandatory wage withholding and periodic modification of support orders. These regulations are expected to result in substantial savings for both State and Federal governments.

- Defended before the Supreme Court an important AFDC case, wherein the lower court erroneously held that Social Security benefits constituted child support for purposes of the AFDC $50 child support disregard. A favorable ruling in this case could save Federal and State governments $48.6 million per year.

- Defended against legal challenges to the Family Support Act of 1988 and its implementing regulations, including significant challenges to the JOBS training program and the new mandatory child support guidelines.
- Defended before the DAB challenges to disallowances taken by FSA in programs such as AFDC, CSE and Refugee Resettlement, and totalling almost $60 million.
- Assisted FSA in developing regulations implementing statutory changes to the AFDC quality control provisions.

FY 1991 Planned Accomplishments

- Provide guidance to FSA in reviewing and responding to major new welfare reform initiatives proposed during the year.
- Participate in the Scope of Payments/Emergency Assistance regulatory initiative, which could result in savings to the AFDC and Emergency Assistance programs of $40 million per year.
- Defend against legal challenges to the AFDC aspects of the Family Support Act of 1988 and the Department's implementing regulations.
- Assist FSA in formulating new legislative initiatives to strengthen State performance in the area of child support enforcement.
- Defend against numerous challenges to the Department's CSE regulations concerning wage withholding, child support guidelines, medical support enforcement, and periodic modification of support orders.
- Defend against numerous challenges to new rules requiring mandatory wage withholding and periodic modification of child support orders.
- Defend against challenges to AFDC penalty notices to States for failure to substantially comply with the requirements of the CSE program.
- Provide guidance to FSA in its efforts to issue regulations implementing statutory changes to the Low Income Home Energy Assistance Program (LIHEAP).

- Assist FSA in evaluating the results of numerous compliance reviews.

7. BUSINESS AND ADMINISTRATIVE LAW (BAL)

FY 1990 Accomplishments

- Provided annual ethics training to Department officials, as required by Executive Order 12674. In addition, assisted other components of the Department in providing training on the ethical requirements of statutes and regulations.

- Improved the Department's ethics program by extensively briefing Department employees on Standards of Conduct and ethical matters in general. On a Department-wide basis, improved the review of financial and outside activity reporting forms (SF-278 and SF-520), so as to improve the Department's position in audits by the Office of Government Ethics. Reviewed the Standards of Conduct to take into account recent judicial decisions and edicts of the Office of Government Ethics.

- Continued training under the Procurement Integrity Act to assure that all appropriate Department employees, including new employees, were trained.

- Through negotiation and litigation, assisted HCFA in recovering up to $5 million from Medicare contractors who had terminated their pension plans and obtained a reversion of the plan's assets.

- Assisted PHS in the procurement of a multi-million dollar contract for the acquisition of new telecommunication systems for the Parklawn and NIH complexes.

- Increased the legal review of proposed final decisions by contracting officers, to enhance the Department's position to prevail in appeals under the Contracts Dispute Act.

- Defended the Department in major construction litigation involving the FDA's new building in Beltsville, Maryland, involving more than $15 million.

- Negotiated structured settlements of malpractice claims of significant amounts (i.e., more than $1 million) without forcing cases to litigation. This action should result in both reduced payments on claims and reduced administrative costs to the Federal government.

FY 1991 Planned Accomplishments

- Improve the management of the Department by increasing the number of briefings and other educational tools provided to managers regarding civil service rules and regulations, labor relations law, contractual requirements and general principles of good personnel management. The objective is to decrease the number of costly and time-consuming employee appeals.

- Provide Headquarters managers with advice, assistance, and representation to help them deal with problem employees, rehabilitate employees who can be assisted, recognize when problems are insoluble, and take appropriate personnel actions.

- Through increased involvement in the early stages of major acquisition, further improve the Department's ability to sustain its awards against protests filed under the Competition in Contracting Act (CICA).

8. OFFICE OF HUMAN DEVELOPMENT SERVICES (HDS)

FY 1990 Accomplishments

- Assisted HDS in issuing regulations under section 427 of the Social Security Act regarding bonus Child Welfare Services funding which is available to States if certain protections are afforded children in Foster Care.

- Provided extensive guidance and legal advice to HDS regarding its efforts to obtain a legislative cap on administrative expenditures in the Foster Care program. This should result in savings of $721 million in FYs 1991 - 1994.

- Successfully defended the Department before the courts in a precedential Foster Care case involving sampling and retroactive application of a cost allocation plan, thereby saving the Federal government $5.5 million.

- Defended the Department against challenges to the HDS requirement that States have adequate documentation regarding their reasonable belief that a child is an appropriate candidate for Foster Care. This should save the Federal government $12 million.

- Defended before the DAB numerous disallowances affecting such programs as Foster Care, Head Start, Native Americans, and Aging, and totalling approximately $106 million.

- Assisted the Administration on Developmental Disabilities in analyzing and preparing proposed changes to the Developmental Disabilities Assistance and Bill of Rights Act and in responding to changes proposed by Congress.

FY 1991 Planned Accomplishments

- Assist HDS in a new regulatory initiative to streamline and make more uniform the variety of administrative appeal proceedings used to challenge adverse Agency actions in the various programs which HDS administers.
- Defend before the DAB and the courts challenges to disallowances taken under HDS regulations implementing section 427 of the Social Security Act. This section concerns bonus Child Welfare Services funding available to States if certain protections are afforded children in foster care.
- Defend against numerous challenges regarding the legislative cap placed on Foster Care administrative expenditures beginning in FY 1991.
- Continue the further review of State laws under the Child Abuse and Neglect program, to determine the propriety under Federal law of State laws which provide for religious exemptions of parents who withhold medical treatment from their children.
- Provide ongoing advice concerning the implementation of various statutory program authorities, including Foster Care, Head Start, Native Americans, and Aging.
- Assist the Administration on Developmental Disabilities to develop and implement regulations in response to amendments to the Developmental Disabilities Assistance and Bill of Rights Act.

9. LEGISLATIVE ACTIVITIES

FY 1990 Accomplishments

- Drafted bills necessary to carry out the Department's legislative program. Through subsequent legal advice and technical assistance, aided in the movement of these legislative proposals through the various stages of Congressional consideration.
- Provided technical assistance to Congressional Committee staffs in connection with the FY 1991 Labor/HHS appropriation.

- Provided legal advice to offices and agencies within HHS and, on occasion, to OMB and Congressional staffs, concerning the permissible interpretations of legislative proposals under consideration, and their effect and implications on other related laws and programs. When necessary, provided further technical assistance, including the preparation of draft legislative language to carry out the desired changes.

- Reviewed and referred requests for the Secretary's views on pending legislation, and ensured the accuracy and responsiveness of the Secretary's replies.

FY 1991 Planned Accomplishments

- Draft bills necessary to carry out the Department's legislative program. Through subsequent legal advice and technical assistance, aid in the movement of these legislative proposals through the various stages of Congressional consideration.

- Provide draft language for appropriations bills and any continuing resolutions, including language necessary to carry out Administration policy as reflected in the Appendix to the President's FY 1992 Budget.

- Provide technical assistance to Congressional Committee staffs in connection with the FY 1992 Labor/HHS appropriation.

- Upon request, provide legal advice to offices and agencies within HHS and, on occasion, to OMB or Congressional staffs, concerning the permissible interpretations of legislative proposals under consideration, and their effect and implications on other related laws and programs. When necessary, provide further technical assistance including the preparation of draft legislative language to carry out the desired changes.

- Review and refer requests for the Secretary's views on pending legislation, and ensure the accuracy and responsiveness of the Secretary's replies.

10. ADMINISTRATION AND MANAGEMENT

FY 1990 Accomplishments

- Developed and implemented an automated work management system for Social Security Disability Litigation (SSDL) staff nationwide, for budget formulation and personnel management purposes.

- o Developed a Division-specific automated work management system for OGC headquarters.
- o Developed a work space management plan to further reduce space needs throughout OGC.
- o Designed an office-wide Local Area Network (LAN) system within OGC.
- o Completed the final phase of OGC's automation plan, thus ensuring that computers are available to all OGC staff.

FY 1991 Planned Accomplishments

- o Analyze existing computerized systems to ensure their capability in keeping up with the work requirements and objectives of OGC.
- o Implement the OGC LAN system, and ensure complete and useful utilization.

Rationale for the Budget Request

The $46,376,000 and 735 FTEs requested in FY 1991 are an increase of $1,496,000 and a decrease of 25 FTEs from the FY 1990 levels. The dollar increase will cover costs for both the general and executive pay raises in FY 1991. The funds used to support the 25 FTEs in FY 1990 will be used to absorb other costs in FY 1991.

PROGRAM IMPACT DATA

	FY 1989	FY 1990	FY 1991
Health Care Financing Administration	19,292	19,580	19,652
Social Security Administration	16,637	18,083	18,573
Inspector General	2,988	3,094	3,415
Public Health Service	24,354	25,101	26,075
Food and Drug Administration	23,883	24,405	26,248
Family Support Administration	2,801	2,788	2,845
Business and Administrative Law	15,138	15,220	15,657
Human Development Services	993	1,067	1,110
Legislation	762	685	762
TOTAL	106,848	110,023	114,337

The numbers above include cases and items. A case is one which has actually been filed, or which HHS or the Department of Justice is preparing to file. An item is each discrete request for legal services, including internally generated items of work such as conferences and meetings, telephone inquiries, and informal memoranda.

OFFICE OF THE GENERAL COUNSEL

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Total number of permanent positions.....	766	741	-25
Total compensable workyears:			
Full-time equivalent employment.......	760	735	-25
Average ES salary.......................	$75,210	$89,046	+$13,836
Average GS grade........................	10.10	10.60	+0.50
Average GS salary.......................	$35,763	$38,273	+$2,510
Personnel compensation:			
Full-time permanent....................	$28,482,800	$29,038,800	+ $556,000
Other than full-time permanent.........	1,296,600	1,312,600	+ 16,000
Other personnel compensation...........	195,000	203,300	+ 8,300
Total personnel compensation.........	29,974,400	30,554,700	+ 580,300
Personnel benefits......................	4,861,700	4,947,400	+ 85,700
Benefits to former personnel............	70,000	71,200	+ 1,200
Travel and transportation of persons....	383,600	390,400	+ 6,800
Transportation of things................	67,300	68,500	+ 1,200
Rental payments to GSA..................	5,194,000	5,891,000	+ 697,000
Rent, communications and utilities......	972,600	1,119,300	+ 146,700
Printing and reproduction...............	100,600	102,400	+ 1,800
Other services..........................	2,423,600	2,622,800	+ 199,200
Contributions to Working Capital Fund.	(1,335,000)	(1,349,000)	(+ 14,000)
Supplies and materials..................	499,500	508,300	+ 8,800
Equipment...............................	332,700	100,000	- 232,700
Grants, subsidies and contributions.....	---	---	---
Total obligations by object...........	$44,880,000	$46,376,000	+$1,496,000

OFFICE OF THE GENERAL COUNSEL

Detail of Permanent Positions

	1989 Actual	1990 Estimate	1991 Estimate
Executive Level IV...........	1	1	1
Subtotal.................	1	1	1
ES-5.........................	2	2	2
ES-4.........................	10	10	10
ES-3.........................	8	8	8
ES-2.........................	8	8	8
ES-1.........................	1	1	1
Subtotal.................	29	29	29
GS/GM-15.....................	72	72	72
14.....................	121	121	121
13.....................	94	94	94
GS- 12.....................	90	81	81
11.....................	129	118	118
10.....................	5	5	5
9.....................	38	38	23
8.....................	14	14	14
7.....................	40	31	21
6.....................	53	48	48
5.....................	82	63	63
4.....................	65	42	42
3.....................	7	7	7
2.....................	2	2	2
Subtotal.................	812	736	711
Total permanent positions....	842	766	741
Unfilled positions, end-of-year............	- 84	---	---
Total permanent employment, end-of-year................	758	766	741

GENERAL DEPARTMENTAL MANAGEMENT

Detail of Permanent Positions [a]

	1989 Actual	1990 Estimate	1991 Estimate
Executive Level I	1	1	1
Executive Level III	1	1	1
Executive Level IV	5	5	5
Subtotal	7	7	7
ES-6	2	3	4
ES-5	9	8	7
ES-4	24	23	22
ES-3	12	16	18
ES-2	20	19	19
ES-1	9	9	9
Subtotal	76	78	79
GS/GM-15	196	193	191
14	368	363	359
13	399	393	389
GS- 12	324	319	315
11	283	279	276
10	15	15	15
9	175	172	170
8	92	90	90
7	230	226	224
6	160	157	156
5	206	203	201
4	131	129	127
3	44	44	43
2	6	6	6
Subtotal	2,629	2,589	2,562
Commissioned Corps	9	10	10
Ungraded	40	40	40
Total permanent positions	2,761	2,724	2,698
Unfilled positions, end-of-year	- 97	- 15	- 15
Total permanent employment, end-of-year	2,664	2,709	2,683

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[a] Includes Office of the General Counsel and Working Capital Fund.

GENERAL DEPARTMENTAL MANAGEMENT

Advisory and Assistance Services
(Dollars in thousands)

Account Title and Symbol		1989	1990	1991
I. Contractual Services				
Individual Experts and Consultants	B.A.	$ 0	$ 10	$ 0
	Oblig.	0	10	10
	Outlays	0	5	10
Studies, Analyses and Evaluations	B.A.	$ 30	$ 3	$ 3
	Oblig.	30	3	3
	Outlays	15	17	3
Management and Professional Support Services	B.A.	$ 48	$423	$788
	Oblig.	48	423	788
	Outlays	24	236	606
Engineering and Technical Services	B.A.	$ 0	$ 0	$ 0
	Oblig.	0	0	0
	Outlays	0	0	0
Subtotal	B.A.	$ 78	$436	$801
	Oblig.	78	436	801
	Outlays	39	258	619
II. Personnel Appointments	B.A.	$ 76	$153	$145
	Oblig.	76	153	145
	Outlays	76	153	145
III. Advisory Committees	B.A.	$ 0	$ 0	$ 0
	Oblig.	0	0	0
	Outlays	0	0	0
TOTAL	B.A.	$154	$589	$946
	Oblig.	154	589	946
	Outlays	115	411	764

GENERAL DEPARTMENTAL MANAGEMENT

Advisory and Assistance Services

Consulting services contract activities in General Departmental Management (GDM) are used both as a source of direct assistance and to provide assistance in developing office automation applications and improving existing systems, such as payroll and personnel. It is necessary to contract for these services in order to get expertise not easily available in the normal workforce, and because it has been found to be more efficient.

In addition, Synectics for Management Decision, Inc. will review the ongoing operations of the Office of the General Counsel's Regional Client Lawyer Accountability System (CLAS), provide recommendations on how to integrate it into a Headquarters system, and redesign the current CLAS to meet the needs of the Social Security Disability Litigation system. Agency personnel cannot be used for this project because computer programming skills are necessary to review and design this system.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

Policy Research

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

Policy Research

For carrying out, to the extent not otherwise provided, research studies under section 1110 of the Social Security Act, [$5,001,000] *$5,017,000*. (Department of Health and Human Services Appropriations Act, 1990.)

POLICY RESEARCH

Amounts Available for Obligation

	1989 Actual	1990 Estimate	1991 Estimate
Appropriation:			
Annual..............	$7,851,000	$5,001,000	$5,017,000
Unobligated balance lapsing............	51,000	---	---
Total obligations.....	$7,800,000	$5,001,000	$5,017,000

POLICY RESEARCH

Summary of Changes

1990 Estimated obligations..................................	$5,001,000
1991 Request..	5,017,000
Net change..	+$16,000

	1990 Base		Change from Base	
	Pos. (FTE)	Obligations	Pos. (FTE)	Obligations
Increases:				
A. Built-in:				
1. Annualization of January 1990 pay raise................	5 (5)	$70,000	---	+$10,000
2. Completion of research in contracts/grants.....		$2,950,000	---	+$6,000
Total increases..................................				+$16,000
Net change..................................				+$16,000

POLICY RESEARCH

Budget Authority by Activity
(Dollars in thousands)

	1989 Actual		1990 Appropriation		1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
Policy Research Operations...........	5	$7,851	5	$5,001	5	$5,017

POLICY RESEARCH

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Total number of full-time permanent positions....	5	5	---
Full-time equivalent of other positions.....	2	2	---
Total compensable workyears..............	5	5	---
Average GS grade.........	12.2	13.0	+0.8
Average salary, grade established by head of agency..............	$37,000	$39,000	+$2,000
Personnel compensation:			
Full-time permanent....	$255,000	$305,000	+$50,000
Other than full-time permanent.............	50,000	---	-50,000
Other personnel compensation..........	---	---	---
Total personnel compensation......	305,000	305,000	---
Personnel benefits.......	70,000	80,000	+10,000
Travel & transportation of persons............	25,000	25,000	---
Transportation of things.	6,000	6,000	---
Printing & reproduction..	25,000	25,000	---
Other services...........	2,950,000	2,956,000	+6,000
Supplies and materials...	30,000	30,000	---
Equipment................	30,000	30,000	---
Grants, subsidies and contributions..........	1,560,000	1,560,000	---
Total obligations by object..............	$5,001,000	$5,017,000	+$16,000

POLICY RESEARCH

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to be Taken
1990 House Report 101-172 The Committee is aware of the work being done by the Panel Study on Income Dynamics (PSID) but is concerned by the gap of knowledge of the economic progress of Hispanics in the States. The Committee encourages the Office of the Assistant Secretary for Planning and Evaluation to expand its support of the PSID to add a representative, national Latino sample to the existing study.	The Panel Study on Income Dynamics (PSID) is a major source of data for research on poverty, and ASPE will continue to support it. One of the PSID's drawbacks has been that it does not contain a sufficient number of Hispanics, one of the fastest growing portions of the U.S. population. To help correct this deficiency, ASPE will contribute supplemental funds to the PSID in 1990 to enable information on Hispanic families to be collected.
1990 Senate Report 101-127 The Committee supports the ongoing national panel study on income dynamics, and is aware of the contributions the PSID has made to economic policy. The Committee is concerned that no representative sample of economic data on Latino families exists, although Latinos represent a growing portion of the Nation's population. The Committee encourages the Department to provide funding to add a representative Latino sample to the PSID.	See response above.

POLICY RESEARCH

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Policy Research...	Indefinite	$5,001,000	Indefinite	$5,017,000

POLICY RESEARCH

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1982:	$14,696,000	$15,700,000	$14,000,000	$13,440,000
FY 1983:	14,718,000	13,440,000	14,718,000	14,718,000
FY 1984:	11,000,000	10,000,000	11,000,000	10,000,000
FY 1985:	8,000,000	8,500,000	9,750,000	9,750,000
FY 1986:	6,000,000	6,500,000	6,000,000	6,500,000
Sequester	- 280,000	- 280,000	- 280,000	- 280,000
Rescission	- 220,000	-0-	-0-	-0-
FY 1987:	5,000,000	8,200,000	7,200,000	8,200,000
Rescission	-2,200,000	-0-	-0-	-0-
FY 1988:	5,090,000	4,873,000	4,873,000	4,873,000
FY 1989:	5,019,000	8,000,000	7,851,000	7,851,000
FY 1990:	5,012,000	5,012,000	5,012,000	5,001,000
FY 1991:	5,017,000			

POLICY RESEARCH

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	BA	FTE	BA	FTE	BA
5	$5,001,000	5	$5,017,000	---	+$16,000

General Statement

Purpose and Method of Operations

The Policy Research program examines broad issues that cut across agency and subject lines, as well as new policy approaches developed outside the context of existing programs. Its broad goals are: (1) to provide policy-relevant information on national trends concerning public and private human resource activities, in order to identify emerging policy problems and potential solutions; (2) to provide specific data to develop and assess the impact of new potential public sector policy proposals, particularly their costs and benefits; and (3) to provide information for the development of Administration strategies to influence private sector activities.

Funding levels for the past five fiscal years were as follows:

1986	$6,220,000
1987	$8,200,000
1988	$4,873,000
1989	$7,851,000
1990	$5,001,000

The requested FY 1991 funding level of $5,017,000 will provide for research in three major areas: Health Policy, Income Security and Employment Policy, and Social Services Policy. In addition, Policy Support Services will provide simulation modelling, statistical analysis, and computer services for carrying out policy research in each of these three areas.

1. Health Policy

Health Policy research focuses on issues associated with health care reform, including the analyses of incentives to encourage cost-effective changes in health care financing and service delivery. In addition, efforts will be directed towards understanding and enhancing the quality of health care for major population groups, and towards improving access for special populations such as disadvantaged infants, children, and minorities.

2. Income Security and Employment Policy

Income Security and Employment Policy will: support the further development of policies which target assistance where need is greatest; help control the costs of public assistance programs; and promote individual responsibility and family initiative and support.

3. Social Services Policy

Social Services Policy research focuses on policy development activities to strengthen the self-sufficiency of families and improve the targeting and effectiveness of public programs to meet their needs, including the long-term care of severely impaired elderly and disabled persons. Research related to these populations will analyze alternative financing and delivery systems, as well as the factors which govern the supply and demand for institutional and community-based services. Research in family policy also examines family formation and breakdown, and their relationship to Federal programs.

4. Policy Support Services

Policy Support Services provides simulation modelling, statistical analysis, and other technical services needed to carry out policy research. The goal is to ensure efficient, reliable, and timely analytical support while offsetting increases in costs through the introduction of cost-saving technologies.

Accomplishments

Policy Research has accomplished in FY 1989 or will accomplish in FY 1990 the following major objectives:

Health Policy research staff will:

- o Complete an analysis of the effects of expanded Medicaid eligibility rules for pregnant women and children.
- o Complete an analysis of various physician payment issues, such as the impact of hospital prospective payment systems (PPS) on physician behavior and the growth in the volume of Medicare physician payments.
- o Complete a number of studies concerning the cost of health care, including:

  - a replication of a 1982 study of the resource costs of 25 hospitals, to provide an assessment of post-PPS impact.

- an analysis of a large insurer's claims data base, to examine patterns in catastrophic cases.

- a study of the sources of support and compensation for the costs of illness and injury.

o Complete or initiate work on several quality of care studies, including:

- an examination of the differences in outcomes which occur when subjects with rehabilitation needs receive care in different post-acute care settings.

- an aftercare study covering a national sample of hospital discharges, to measure differences in the quality of post-hospital discharge care which beneficiaries receive.

o Continue the analysis of selected issues pertaining to Medicare coverage policy.

o Continue an analysis of the quality and cost growth implications of laboratory testing in private physicians' offices, the effects of changes in utilization and technology on quality and cost, and the implications for Federal policy.

o Initiate a study of State-sponsored health resources focused on the working poor.

Income Security and Employment Policy research staff will:

o Continue supporting efforts to understand the causes and correlations of poverty, and to improve the self-sufficiency of low income families.

o Investigate ways to enforce social obligations such as work and child support.

o Study the economic well-being of the elderly and disabled.

o Continue research on poverty and families.

o Initiate a major evaluation of the implementation of the JOBS component of the Family Support Act.

Social Services Policy research staff will:

o Initiate or complete action on the research and development of data for long term care policy, including:

- improving existing models and data bases.

- initiating a national survey of persons with mental retardation.

- providing technical support to users of national long-term care surveys and the national long-term care channeling demonstration.

- Initiate examination board and care issues, including:

  - developing an unduplicated count of potential board and care homes to be included in the 1991 update of the National Health Provider Inventory conducted by the National Center for Health Statistics.

  - initiating survey design work with the Census bureau for a 1990 Census follow-on survey of board and care homes.

  - conducting a multi-State study of the quality of care in board and care homes.

- Analyze data on the relationship between child care and self-sufficiency for AFDC recipients.

- Enhance nationally representative surveys on the family with questions exploring family formations and dissolutions, dropping out of school, and delinquency.

- Assess the impact of cocaine on the child welfare service system, and study approaches for dealing with drug-exposed children and their families.

- Initiate a study of the impact of the JOBS/Family Support Act program on children whose parents participate in the program.

- Study the effects of infant child care on child development and families.

Policy Support Services staff will:

- Provide technical and programming support for a wide range of policy research initiatives, including the preparation of special tabulations of persons in poverty and an analysis of census and current population survey data.

- Provide microsimulation modelling support for an analysis of welfare, retirement and tax policy. Continue an evaluation of the major microsimulation models which will support the establishment of future directions for modelling activities.

- Continue computer and programming staff support in the conduct of policy analysis, research, and evaluation.

FY 1991 Anticipated Accomplishments

In FY 1991, Health Policy research staff will:

- Continue research on the quality of care, including the impact of PPS on Medicare beneficiaries and long-term care, patterns of post acute care, quality and adequacy of such care, better systems for detecting medical liability, etc.
- Conduct studies on factors which foster managed care and competition.
- Continue research on issues concerning the cost of health care, including completion of the simulation of post-PPS impact policies for hospital capital.
- Continue research into access issues including ways to provide incentives for commercial insurance coverage, issues concerning hospital uncompensated care, other matters of financing health care for low-income persons, and ways to improve rural health care.

In FY 1991, Income Security and Employment Policy research staff will:

- Continue to study the problems of the underclass. The theories developed during the 1989 projects will be tested.
- Continue managing the multi-year contract to evaluate the Family Support Act's JOBS program, including completion of the final design of the study to assess the impact of JOBS on participants' children. Design parent questionnaires and children's test instruments.
- Initiate an evaluation of the effects of the Family Support Act's Medicaid and child care transition benefits on families exiting and reentering AFDC.
- Develop additional studies of the reasons absent parents do not pay full child support, and of the reasons paternity establishment rates are so low.
- Complete studies of the relationships between pensions, savings, retiree health insurance, taxation, health expenditures, intra-family transfers, retirement decisions and the economic well-being of the elderly, including initiation of a study of the effects of raising the Social Security retirement age under the Disability Insurance (DI) program.

- Conduct research on disability and employment, including the effect of DI program rules on the work of the disabled population.

In FY 1991, Social Services Policy research staff will:

- Continue research on long term care, including field testing of the 1990 Census follow-on survey of board and care homes, assessing effects of various policy options, etc.
- Continue research on disability, including the design of a national survey of mentally retarded and developmentally disabled persons, to be fielded during 1992.
- Continue research on family issues, including: completion of the study design for a Family Payments Demonstration; continuation of the data collection on family characteristics in several on-going Department surveys; assessment of the impact of the JOBS/Family Support Act program on children whose parents participate in the program; assessment of the effects of infant child care on child development and families; and improvement of the data linkages within the child welfare service system.

In FY 1991, Policy Support Services staff will:

- Provide a full range of computing and statistical support, including the ongoing support of the principal HHS microsimulation models used in policy analysis.
- Prepare special tabulations of persons in poverty.

Rationale for the Budget Request

The FY 1991 request for $5,017,000 and 5 FTEs will allow Policy Research to provide the types of services discussed within the submission at the same levels as FY 1990. This is the only research program not tied to specific program objectives, and will continue to provide the Secretary with analyses of long range impacts of policy initiative under consideration.

POLICY RESEARCH

Detail of Permanent Positions

	1989 Actual	1990 Estimate	1991 Estimate
GS/GM-15	1	0	0
14	1	1	2
13	1	2	2
GS- 12	2	1	1
11	0	1	0
9	0	0	0
7	0	0	0
6	0	0	0
5	0	0	0
4	0	0	0
3	0	0	0
2	0	0	0
Subtotal	5	5	5
Grades established by Acts of July 1, 1984 (42 USC 207) Commissioned Corps	0	0	0
Total permanent positions	5	5	5
Unfilled positions, end-of-year	0	0	0
Total permanent employment, end-of-year	5	5	5

Department of Health and Human Services

Proposed Changes to General Provisions for Fiscal Year 1991

Included in the President's budget for fiscal year 1991 are recommendations for changes in General Provisions in the Labor, Health and Human Services, and Education, and Related Agencies appropriations bill. Proposed changes are included in the 1991 Budget following schedules for the Department of Health and Human Services (Title II General Provisions) and the Department of Labor (Title V General Provisions). Explanations for these changes follow:

Title II

Sec. 208. This provision would be modified to limit basic pays, special pays, allowances for subsistence and basic allowances for quarters of the commissioned corps of the Public Health Service, to a level not to exceed 110 percent of Executive Level I annual rate of basic pay, maintaining commensuration with related government salaries.

Sec. 209. This provision is proposed for deletion, as it limits flexibility in shifting resources between the Department of Health and Human Services and the Department of the Interior for the purposes of carrying out the Native American Programs Act.

Sec. 211. This provision is proposed for deletion, as it limits the Department's flexibility to allocate personnel resources.

Sec. 213. A one-time portion of this provision, which disallows transferring funds for HIV-related activities between appropriation accounts in FY 1990, is proposed for deletion. New language is inserted which provides that Congress shall be promptly notified of these transfers. (See Sec. 212.)

Sec. 214. This provision, which prohibits using Federal funds appropriated under this Act for any project which involves the capture or procurement of chimpanzees obtained from the wild, is proposed for deletion. The language duplicates existing regulation and provisions within the CITES (Convention on International Trade of Endangered Species) Treaty.

Sec. 218. This provision, a one-time provision naming various NIH facilities, is proposed for deletion.

Sec. 219. This provision, a one-time reduction in association with FY 1990 improved procurement practices, is proposed for deletion.

Sec. 220. This provision, which duplicates a provision in substantive law and existing administrative guidelines on AIDS education programs, is proposed for deletion.

Sec. 221. This provision is proposed for deletion, as it prohibits enforcing compliance with Federal law relating to Foster Care and other provisions of the Social Security Act.

Sec. 212. The adoption of this provision would allow the Secretary the flexibility to meet any unforeseen HIV-related resource needs through a transfer of up to 3 percent of funds appropriated for the Public Health Service (other than those for "Retirement Pay and Medical Benefits for Commissioned Officers") to any account of the Department which includes funds available for HIV-related activities, provided that the Congress is promptly notified of any such transfer.

Sec. 216. The adoption of this provision would simplify payments of user fees by States to the Family Support Administration (FSA) for services provided by the Office of Child Support Enforcement. Currently, FSA grants Child Support Enforcement matching funds to States. States who use technical services offered by FSA (preparing and mailing tax offset notices) then send funds back to FSA's salaries and expenses account. This provision simplifies bookkeeping by allowing FSA to deduct from grants the costs of technical services States have requested, and to transfer the funds to the salaries and expenses account.

Title V

Sec. 512. This provision, a one-time provision relating to absorption of the 1990 pay raise, is proposed for deletion.

Sec. 514. This provision, which imposes a one-time limitation on expenditures for advisory and assistance services, is proposed for deletion.

Sec. 515. This provision, a one-time provision for transfers in FY 1990, is proposed for deletion.

Sec. 518. This provision, a one-time reduction in salaries and expenses, is proposed for deletion.

Sec. 519. This provision prohibits the Department from implementing a regulation relating to the reclassification of rural referral centers. It is proposed for deletion because the same prohibition was extended through FY 1991 in OBRA 1989, making this provision unnecessary.

Sec. 520. This one-time provision, which limits distribution of sterile needles, is proposed for deletion.

WEDNESDAY, MARCH 28, 1990.

OFFICE FOR CIVIL RIGHTS

WITNESSES

EDWARD MERCADO, DIRECTOR, OFFICE FOR CIVIL RIGHTS

PAUL R. KRETCHMAR, ASSOCIATE DEPUTY DIRECTOR, OFFICE FOR MANAGEMENT PLANNING AND EVALUATION

PATRICIA L. MACKEY, ASSOCIATE DEPUTY DIRECTOR FOR PROGRAM OPERATIONS

Mr. EARLY. Next we are going to hear from Mr. Edward Mercado, the Director of the Office for Civil Rights.

You may proceed with your statement in any way you like.

Mr. MERCADO. Thank you, Mr. Chairman.

Mr. Chairman, I have sitting with me Ms. Patricia Mackey, who is the Director of the Office of Program Operations at the Office for Civil Rights, and Mr. Paul Kretchmar, who is the Director of Management Planning and Evaluation at the Office for Civil Rights.

First, I want to thank you for the opportunity to present our fiscal 1991 budget request. As a matter of expediency, we have a statement which we will give you for the record.

Mr. EARLY. We will include your entire statement at this time in the record.

[The information follows:]

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to present the fiscal year 1991 budget request of the Office for Civil Rights (OCR).

For fiscal year 1991, OCR is requesting $21,585,000. Of the total request, $17,585,000 would be provided by appropriation, together with $4,000,000 to be transferred from the Social Security and Hospital Insurance trust funds.

The budget request would support 325 full-time equivalent (FTE) staff, the same level as in FY 1990. OCR's policy is to implement a broad-based compliance program which utilizes a variety of techniques to prevent and resolve problems of discrimination in HHS-funded programs.

Compliance Responsibility

The mission of the Office for Civil Rights is to ensure that no person is discriminated against under any program or activity receiving Federal financial assistance from the Department of Health and Human Services.

In carrying out this mission, OCR enforces:

o laws and regulations that prohibit discrimination on the basis of race, color, national origin, handicap, age, and sex;

o the nondiscrimination provisions of the health care and other block grant programs;

o the community services assurance of the Hill-Burton Act under which health care facilities must provide services to all persons residing or working in the service area without discrimination; and

o the Department's 1988 Section 504 regulation requiring nondiscrimination on the basis of handicap in programs and activities conducted by the Department.

Compliance Activities

In fiscal year 1991, OCR will pursue efforts to generate voluntary compliance on a wide scale among the Department's federally assisted programs and services. A total of 279 FTEs will be allocated to process discrimination complaints, conduct reviews, monitor corrective action plans, and carry out voluntary compliance and outreach activities.

Complaint Investigations

Under the regulations implementing the civil rights statutes, OCR is required to address all discrimination complaints involving HHS programs in a timely manner. In addition, the Department of Justice, pursuant to its authority under Executive Order 12250, requires each compliance agency such as OCR to promptly resolve discrimination complaints.

Between FY 1987-88, the number of discrimination complaints filed with OCR surged by 38 percent. Complaint receipts rose more modestly in FY 1989 (3 percent). Based on this recent trend, OCR estimates that the complaint workload will increase to approximately 2,400 cases in FY 1991, which includes carryover cases as well as 1,760 new receipts.

OCR plans to allocate 160 FTEs to complaint processing in FY 1991. This staff allocation should be adequate to complete 1,710 complaint cases, leaving a relatively stable year-end inventory.

Reviews and Monitoring

To enforce the nondiscriminaton statutes and regulations, OCR schedules compliance reviews to determine whether or not patterns or practices of discrimination exist in Department-funded programs. Due to the increased complaint workload, the total number of compliance reviews conducted dropped from 264 reviews in FY 1987 to 132 reviews in FY 1989. Starting in FY 1990 OCR plans to reverse this erosion by gradually shifting six FTEs from complaint processing and other areas to compliance reviews. Eighty-five FTEs will be allocated to all review activity in FY 1991 compared to 79 FTEs in FY 1989. Productivity gains and the additional staff allocation will enable OCR to increase the number of compliance reviews initiated, from 66 new reviews in FY 1989 to 110 new reviews in FY 1990 and 140 new reviews in FY 1991.

OCR also conducts pre-grant reviews when notified by the Health Care Financing Administration that a health care facility has applied to participate in the Medicare program and must receive civil rights clearance. OCR anticipates completing 2,815 and 2,935 pre-grant reviews in FY 1990 and FY 1991 respectively.

If a review reveals or substantiates a compliance problem, OCR requires the program recipient to adopt and implement corrective measures. In addition, by means of written agreements, facilities subject to pre-grant reviews may be required to submit compliance information. Corrective action plans and agreements are monitored by OCR to assure full compliance. OCR expects to continue monitoring plans as necessary in FY 1990-91. We anticipate utilizing 15 FTEs to accomplish the monitoring function.

Voluntary Compliance and Outreach

The goal of OCR's voluntary compliance activity is to assist recipients in complying voluntarily with civil rights requirements and to inform minorities, handicapped persons, senior citizens, and others of their rights under the statutes and regulations OCR enforces. Voluntary compliance and outreach staff, consisting of 19 FTEs, provide technical assistance directly to recipient institutions and State and local agencies.

During FY 1990-91, OCR will place priority on:

o Conducting outreach efforts to prevent facilities from implementing policies and procedures that result in prohibited discrimination in employment and in the delivery of services to persons with AIDS;

o Providing technical assistance to enable Hill-Burton facilities to comply with the requirements of their community service assurance;

o Coordinating implementation of the new Section 504 regulation by HHS components; and

o Implementing programs designed to ensure access to health care and social services for minorities, limited English-speaking persons, handicapped persons, and senior citizens.

In implementing these and other initiatives, OCR will provide technical assistance and compliance information to program recipients and beneficiaries through training sessions and conferences, on-site consultations, dissemination of materials, and other means.

Office of General Counsel (Civil Rights)

OCR's budget request includes 21 FTEs to staff the Civil Rights Division of the Department's Office of the General Counsel.

OCR anticipates that the staff attorneys in the Civil Rights Division will be able to provide OCR with all necessary legal assistance and guidance including: (1) reviewing the legal sufficiency of case findings; (2) interpreting and applying statutes, regulations, and court decisions; and (3) when appropriate, conducting enforcement proceedings and referring cases to the Department of Justice.

Program Management

In fiscal year 1991, OCR will allocate 25 FTEs to program management. Management staff determine program objectives and priorities, formulate and execute the OCR budget, develop compliance plans, monitor and evaluate compliance efforts, and make final decisions about OCR's compliance standards and procedures. In addition, management is responsible for staff training and the acquisition and application of ADP systems to improve efficiency and productivity. Finally, management staff provide administrative support in such areas as personnel management, travel, procurement, property, and supply systems.

Conclusion

In conclusion, Mr. Chairman, OCR's fiscal year 1991 budget request would provide 325 FTEs and $21,585,000 in obligational authority. OCR is determined to carry out its important responsibilities by utilizing the budget resources in the most effective and productive way.

Thank you.

EDWARD MERCADO

Edward Mercado was appointed Director, Office for Civil Rights on April 21, 1989 by HHS Secretary Louis Sullivan.

Previous to his appointment, Mr. Mercado was the New York District Director responsible for supervising the Equal Employment Opportunity Commission's District and Area Offices in New York City, Boston, and Buffalo. These offices serve the States of Connecticut, Rhode Island, Maine, Massachusetts, New Hampshire, New York, Vermont, Puerto Rico, and the Virgin Islands.

Mr. Mercado also served as the New York, District Director for the Office of Economic Opportunity from 1970 to 1973. In that capacity, he monitored the funding and activities for the federal anti-poverty programs in New York City, Puerto Rico and the Virgin Islands. Prior to that time, he was District Director and Special Project Coordinator for four years with the New York State Division for Human Rights.

Mr. Mercado has an extensive background in the human rights field including working as a Special Assistant with the New York Governor's office, the New York City Commission for Human Rights and the New York State Department of Commerce. He has moderated weekly radio and TV programs on human relations, authored numerous articles on ethnic and social programs, and has been a frequent lecturer in the civil rights field at New York colleges and universities. His other experience includes work as a Sales Representative for R. J. Reynolds; Claims Adjuster with American Casualty Insurance Company; and freelance photographer.

A native of Bronx, New York, Mr. Mercado served for two years with the U. S. Army Medical Corps in San Antonio, Texas. He has received many awards for his work in the human rights field, is an active member of several community organizations and serves in an advisory capacity on various committees.

Mr. Mercado is married with two children. He and his family reside in Falls Church, Virginia.

PROGRAM OVERVIEW

Mr. **Mercado**. For fiscal year 1991, the Office for Civil Rights is requesting $21,585,000. Of the total request, $17,585,000 would be provided by appropriation, together with $4,000,000 transferred from the Social Security and Hospital Insurance trust funds.

The budget request would support 325 full-time equivalent staff, the same level as in fiscal year 1990. OCR's policy is to implement a broad-based compliance program which utilizes a variety of techniques to prevent and resolve problems of discrimination in HHS-funded programs.

The balance of my statement deals with our responsibilities and work, and with our relationship with the General Counsel. If you have any questions, I would be pleased to answer them.

Mr. **Early**. How long have you been in this position?

Mr. **Mercado**. I have been here one year.

Mr. **Early**. What is your overall impression of the agency after a year? Is it performing like it should?

Mr. **Mercado**. I think we could always do better. Under Secretary Sullivan there have been a number of major initiatives and changes. From my own parochial standpoint, in the Office for Civil Rights we have done a number of things to assure better service delivery and a different approach from the previous methods OCR had in terms of its activities.

MANAGEMENT CHANGES

Mr. **Early**. Have you made any significant management or organizational changes during your time as Director?

Mr. **Mercado**. One of the things we have done is to reduce headquarters staffing by 10 percent. All of that staffing has been earmarked for the field through attrition. We are a service delivery office, and we deliver the services in the field, not at headquarters. The resources should be where the customers or clients are.

Mr. **Early**. Do I take it you are decentralizing a little bit?

Mr. **Mercado**. Yes. But we also want to assure that the offices in the field deliver a finished product.

One of the inconsistencies we had up until this year was that when a director in the field issued a decision, if the person who received the decision was dissatisfied, he or she could appeal back to that same director, who in most cases obviously believed that he was not wrong. If they were still dissatisfied, they could appeal again to the director in the field, and then for the third appeal they could appeal to headquarters. We felt it would make more sense to have the appeal come directly to headquarters, therefore shortening the process and also heightening the perception that there was meaningful oversight of an appeal.

Mr. **Early**. Do the local offices send you every appeal to protect themselves?

Mr. **Mercado**. Now they have to inform the person filing the charge what their appeal rights are in the body of the decision. Then the person can appeal directly to us, yes.

CIVIL RIGHTS PROVISIONS

Mr. **Early**. How many laws and executive orders is your office charged with enforcing?

Mr. **Mercado**. Eight major laws.

Mr. **Early**. Would you place a list of those in the record at this point.

[The information follows:]

OCR is charged with enforcing the following legislation:

—Title VI, Civil Rights Acts of 1964, P.L. 88-352

—Hill-Burton Community Service Enforcement Authority, 42 U.S.C. 300s

—Section 407, Drug Abuse Offense and Treatment Act of 1972, P.L. 92-255

—Title IX, Education Amendments of 1972, P.L. 92-318

—Section 504, Rehabilitation Act of 1973, as amended, P.L. 93-112

—Age Discrimination Act of 1975, P.L. 94-135

—Equal Employment Opportunity Provisions, Public Telecommunications Financing Act of 1978, P.L. 95-567

—Omnibus Budget Reconciliation Act of 1981, Nondiscrimination Provisions, P.L. 97-35

Mr. **Early**. Which laws generate the bulk of your workload?

Mr. **Mercado**. Section 504, if I am not mistaken, generates the bulk.

Mr. **Early**. Would you identify those for the record?

[The information follows:]

Of all discrimination complaints received in FY 1989, 778 complaints alleged discrimination on the basis of handicap; 212 alleged race or national origin discrimination; 40 complaints alleged violations under the Hill-Burton Act community service requirements; 10 complaints alleged age discrimination; 7 complaints alleged sex discrimination; 11 complaints raised multiple allegations; and 484 complaints fell under other jurisdictions, most of which were referred to other agencies.

FUND RECIPIENTS

Mr. **Early**. Approximately how many grantees and contractors fall under the jurisdiction of your office?

Mr. **Mercado**. I don't have an exact number but any entity which receives Health and Human Services funding falls under our jurisdiction.

Mr. **Early**. Do you have some idea?

Mr. **Mercado**. The number of grantees?

Mr. **Early**. Yes and contractors.

Mr. **Mercado**. Several hundred thousand has been an estimate in the past. It changes continuously.

Mr. **Early**. In the justification, you say approximately 230,000 groups and institutional providers of federally assisted services are subject to the Department's nondiscrimination requirements. Is it 230,000?

Mr. **Mercado**. 230,000 is our best estimate, yes.

OCR STAFFING

Mr. **Early**. How many employees do you have currently?

Mr. **Mercado**. We have 325 authorized FTEs.

Mr. **Early**. How does that break down between management, clerical, and professional?

Mr. **Kretchmar**. Approximately 279 of the FTEs are allocated to compliance work, 25 to management activities—mainly in headquarters—and 21 to legal support.

Mr. **Early**. How many would we identify as clerical?

Mr. **Kretchmar**. As of right now, approximately 30 headquarters and regional are clerical staff.

Mr. **Early**. How many of those are located here in Washington?

Mr. **Kretchmar**. Our estimate for 1991 is that we will have about 97 FTE in Washington and 228 FTE in the field.

Mr. **Early**. Are we moving away from that?

Mr. **Mercado**. When I started last year, we had 108 FTE in Washington. We have relied primarily on attrition rather than trying to institute a reduction in force, because of the problems that arise when you utilize a reduction in force. Also, the cumbersome regulations don't give management much flexibility. Attrition has been running about ten percent a year.

Mr. **Early**. For the record, provide a chart showing the agency's full-time equivalent employment for the last five years.

[The information follows:]

Fiscal year:	*FTE*
1985	397
1986	377
1987	368
1988	344
1989	325

Mr. **Early**. What is your annual turnover rate among employees?

Mr. **Kretchmar**. Roughly 26 separations per year has been the average.

Mr. **Mercado**. Eight or nine percent is a national figure. Of course, the attrition at headquarters is a little smaller.

NEW HIRES

Mr. **Early**. How many new hires did you make during fiscal year 1989?

Mr. **Mercado**. I don't know that we have that figure. Let me point out that we ended up the year with full utilization of our allocation of 325 FTEs.

Mr. **Early**. I want to find out how many of them were at the entry grade level.

Mr. **Kretchmar**. In terms of grades, I looked at some of the numbers for our attrition and hiring from the end of last September to February of this year. We had a total attrition of approximately 13 people and, during the same period, we hired 17 new people. The average grade of the people leaving was 9.5 and the average grade of the people being hired was 7.2.

GRADE LEVELS OF COMPLIANCE INVESTIGATORS

Mr. **Early**. What is the typical grade level of your field compliance professionals?

Mr. **Mercado**. The investigators are 7, 9, 11 and 12.

Mr. **Early**. Are you satisfied you can get the competence at that level?

Mr. **Mercado**. Yes, but I think it is a mixed bag. It is easier in certain cities but I think the recent OMB locality pay initiative will go a long way toward addressing that. In the northern area, some of the state agencies pay more than the Federal Government pays. So i think OMB's initiative would help us.

EMPLOYEE TRAINING

Mr. **Early**. How frequently do you provide training to your employees and what type of training is provided?

Mr. **Mercado**. This past year, we had very limited training. We have entered into discussions with the Department of Justice, the Fair Housing Division of HUD, the Equal Employment Opportunity Commission (EEOC) and all the human rights agencies, with an eye toward joint training so that we can possibly save money and also begin to develop a common language. One of the problems in the area of EEO is different dictionaries and terminology; you need to learn a new language whenever you change agencies. One of the things we are trying to do is work jointly with EEOC, and we have had a number of meetings already. HUD has also taken the lead—Assistant Secretary Mansfield—in this initiative, and we have scheduled another meeting to discuss some training there this year.

Mr. **Early**. What is your budget for training?

Mr. **Mercado**. I will have to supply that for the record. It is part of our other services. I would say it is approximately $100,000 to $150,000, including all kinds of training inside and outside the office, plus training for computers. We will get that exact number for you.

[The information follows:]

The OCR training budget for FY 1991 is $132,000. This amount includes travel expenses and training relating to both civil rights enforcement and computer use.

Mr. **Mercado**. I would also like to add one other thing we are doing. We have entered into discussions with local and state human rights agencies, since their investigators have interests concurrent with ours and should be trained so that we can work a lot closer.

Mr. **Early**. I will yield to the chairman.

Mr. **Natcher**. I have no questions at this time.

BUDGET INCREASE

Mr. **Early**. Your 1991 budget request results in an increase of only 1.4 percent over 1990. Will you be able to keep up with inflation at that rate?

Mr. **Mercado**. This year we are doing a lot of purchasing in terms of computers, et cetera, so that we won't have that expense in fiscal year 1991. So, there is some shifting around of costs.

OFFICE AUTOMATION

Mr. **Early**. Give us a brief description of how we are doing with electronic computerization. Are you satisfied with what you are doing?

Mr. **Mercado**. Absolutely. We are expecting delivery of numerous computers.

Mr. **Kretchmar**. We anticipate being close to the Department's goal of having approximately one computer in the hands of each professional and clerical staff person by the end of the year.

You had some questions previously about the Department's strategic plan. Part of that plan includes our own development, and we feel we are making very good progress toward the goal of integrating computers through networking. We are beginning to develop some pilot programs on that also.

Mr. EARLY. That is to me the most important thing, learning and keeping up with the training of our people as far as knowing how to operate them.

Mr. MERCADO. That is the key to it. A lot of people have to be brought kicking and screaming into the 20th century, but that is a very important ingeredient we will utilize.

COMPUTER TRAINING

Mr. EARLY. How much training is supplied by the company from whom you buy your equipment?

Mr. KRETCHMAR. Very little. But the Department has contracted for certain kinds of training on the widely used programming systems. When you buy computer software, there is generally a period where the company will offer, at no cost, advice and technical assistance on using the package. But it is up to the individual offices to train the staff. For that reason, there are standard types of software that the Office of Information Resources Management has indicated are the preferred software packages to use. We use those packages. They are very common, and training is available. But in computer use, really, the best kind of training is on-the-job training. We have seen significant improvements in our staff's abilities to utilize computer hardware, to become comfortable with it as a daily tool for doing the work. There is no substitute for having that computer on the desk and overcoming the barriers by working through the problems.

TRAVEL FUNDS

Mr. EARLY. I see you are not seeking any increase in travel funds. Is that a change in policy, or are you planning to absorb some of those costs?

Mr. MERCADO. One of the things we are trying to do is to travel more intelligently. For example, when there are national conferences, we try to utilize our people in the field to attend them. We feel steps such as this will enable us to use our money for compliance activities more—I don't want to say more intelligently, but more effectively.

Mr. EARLY. You are not cutting back on travel?

Mr. MERCADO. No. In fact, we are thinking of more on-site visits.

EFFECT OF SEQUESTER

Mr. EARLY. I notice in 1990 you incurred a Gramm-Rudman sequester as well as a salaries and expenses reduction. You were also required like everyone else to absorb the full amount of the 1990 pay increase.

What effect, in your professional judgment, are these reductions having?

Mr. MERCADO. I have not seen any negative effects at this point.

Mr. Early. Maybe we should do it again. I suppose we should do it again.

Mr. Mercado. There comes a point of diminishing returns.

Mr. Early. As we listened to the people who testify for the budget, they request a specific amount of money they need to do what they are supposed to do, and then we come in with reductions such as sequestration and negotiations and they say it has no effect. This doesn't seem to be too consistent.

Mr. Kretchmar. The total reduction for fiscal year 1990 was relatively small, about one and a half percent of the total budget.

COST OF 1990 PAY RAISE

Mr. Early. What is the cost of your 1990 pay increase?

Mr. Kretchmar. $447,000.

Mr. Early. How are you absorbing that?

Mr. Kretchmar. For 1990 or 1991?

Mr. Mercado. The 1990 budget included the pay raise for 1990. That was built into the budget.

Mr. Early. I don't think that is correct.

Mr. Kretchmar. I am referring back to the 1990 budget for a moment. It had $447,000 in our 1990 budget presentation. Our request for last year for this fiscal year had $447,000 built in for the pay raise, the 1989 pay raise.

Mr. Early. I am talking about the 1990.

Mr. Kretchmar. `For the 1990 pay raise and the effect that it will have next year, that is factored in.

Mr. Early. I am talking about this year.

Mr. Kretchmar. That was included in our budget request for 1990. We anticipated the pay raise and it was built into our request.

Mr. Early. You are the only agency where this has happened.

Mr. Mercado. We will check and get back to you, but that is our understanding.

[The information follows:]

Absorption of 1990 Pay Raise

The response given by Mr. Mercado and Mr. Kretchmar at the hearing is incorrect. The correct answer is as follows:

OCR's original FY 1990 budget request did not include funds to cover a January 1990 pay raise. OCR will be absorbing the cost of the January 1990 pay raise within its existing appropriation, through a variety of internal administrative actions.

TRUST FUNDS TRANSFERS

Mr. Early. Since 1986 your transfer from the Social Security and Medicare trust funds has remained at about the $4,000,000 level each year. What is the basis for this figure? How is that amount calculated?

Mr. Mercado. Maybe Paul can explain that. There was some measuring at first.

Mr. Kretchmar. Historically, that reflects the amount of effort by the Department in civil rights areas related to trust fund expenditures: Medicare, hospital expenditures, and so forth. When the Department was HEW, there was a question of how much of our effort was expended toward hospital-related activities versus education programs. There were some studies done and some record-keeping requirements imposed on the Office for Civil Rights. The data showed a certain level of activity that was subsequently reflected in the trust fund transfers. Now, since just about everything we do is related, a large part of it is related to health-related programs. There is no longer any question about our activities being related to trust fund administrative requirements.

Mr. EARLY. Why has it remained so?

Mr. MERCADO. I think probably in the last several years there has been no separate account kept of trust fund-related activities. There has been no effort to identify the expenditures up or down, and that may be something we will have to do.

Mr. EARLY. Is it just an arbitrary figure?

Mr. MERCADO. I think so, at this point.

WORKLOAD PROJECTIONS

Mr. EARLY. What are your principal workload projections for 1991? How do they compare to 1990?

Mr. KRETCHMAR. Would you repeat the question?

Mr. EARLY. What are the principal workload projections for 1991 and how do they compare with 1990?

Mr. KRETCHMAR. We are projecting an increase from 1700 to 1760 in total complaint receipts.

In compliance reviews, we are anticipating, based on a revised allocation of staff, that we will be able to start 140 new compliance reviews, as compared to our estimated starts of 110 in 1990.

We are anticipating slight increases in the number of pre-grant reviews that we will have to conduct, and a steady workload from the standpoint of monitoring activities. So, we are anticipating an increase in the overall workload for the office, one that we think we can keep up with based on increased productivity.

ACCURACY OF PROJECTIONS

Mr. EARLY. Mr. Mercado, you have only been here a year, but have you looked at how accurate the workload estimates have been over the past years?

Mr. MERCADO. We did a hard audit of the workload in the offices, and we have also tried to reallocate staff based on the workloads.

Mr. EARLY. How accurate have the workload estimates been in the past few years in testimony to this committee?

Mr. MERCADO. I am not sure how close we were to the estimate as compared to the actual.

Mr. KRETCHMAR. In last year's testimony, we were anticipating a significantly larger rate of complaint receipts for this fiscal year than we are now seeing. That was primarily because we expected a higher rate of increase in AIDS complaints. However, the AIDS complaint increase has not materialized. In recent weeks, though, there has been a large increase in total complaint receipts, so it may turn out that our original estimate may be correct. The fact is that there are significant fluctuations from month to month and day to day. So it is impossible at any one point in time to predict with certainty. We tend to look at each fiscal year and estimate conservatively.

Mr. **Early**. Will you provide for the record how the estimates and the actual numbers compare for 1989 and 1990.

Mr. **Kretchmar**. In 1989, our original complaint estimate was 1,700. Our actual was 1,642. In 1990, last year's budget presentation showed 1,900. We are not yet sure what the actual increase will be. There have been some fluctuations in the last few months which look like the estimate contained in this budget may be a little low, but it is too early to make any final projections for the year. We were fairly close last year, but things do vary.

Mr. **Early**. At this time, I yield to the chairman.

Mr. **Natcher**. No questions, thank you.

Mr. **Early**. We have several other questions which we will include in the record. We want to thank you for your testimony.

[The following questions were submitted to be answered for the record and the justifications follow:]

COMPLAINT CASELOAD

Mr. Natcher: Your complaints backlog, or inventory, appears to be rising (p. 130). Why is this occurring?

Mr. Mercado: Year-end inventories have risen mainly because the number of discrimination complaints has increased substantially beginning in FY 1987. However, the year-end inventory does not constitute an unattended "backlog" since it includes cases that are being processed as well as cases received during the final quarter of the fiscal year. In addition, the inventory has remained relatively constant as a proportion of the total complaint workload.

The rise in complaint receipts is due mainly to an increase in Section 504 (handicap) discrimination complaints, including complaints related to AIDS.

Mr. Natcher: How long does it take to process an average complaint?

Mr. Mercado: In FY 1989 the average time it took to process and close complaints was 135 days, a decrease of 25 days compared to the FY 1988 average.

Mr. Natcher: What percentage of your complaints is more than a year old with no resolution?

Mr. Mercado: In FY 1989, the proportion of OCR's complaint workload comprised of cases one year or older was 11.7 percent, compared to a proportion of 13.9 percent in FY 1988.

Mr. Natcher: On page 130 you say that your complaints received are becoming more complex. What accounts for this?

Mr. Mercado: It is difficult to answer this question with any certainty, although we suspect that a variety of factors account for the growing complexity of the complaint workload. These influences may include the following: Federal and State changes in reimbursement policies under Medicare and Medicaid during the 1980's; intensifying problems of health care status and access to care among minority and handicap populations; proliferating differences in eligibility standards for health care and social services among the States; growing sensitivity to the needs of handicapped persons; and awareness of nondiscrimination requirements among handicap groups.

Mr. Natcher: Please provide for the record a five-year table that reflects the breakdown of complaints you investigate (race, sex, age, handicap, etc.).

Mr. Mercado: The following table supplies this information.

NUMBER OF COMPLAINTS INVESTIGATED
By Fiscal Year

Civil Rights Authority:	1985	1986	1987	1988	1989	Total
Title VI (Race/ National Origin).........	177	198	165	210	212	962
Section 504 (Handicap)...............	413	451	417	676	778	2,735
Hill-Burton (Community Service)......	31	30	24	60	40	185
Age.......................	9	18	14	27	10	78
Sex.......................	2	3	9	4	7	25
Multiple authorities (Combinations of above)..	71	87	85	103	111	457
Other.....................	401	399	434	509	484	2,227
TOTAL.................	1,104	1,186	1,148	1,589	1,642	6,669

COMPLIANCE REVIEWS

Mr. Natcher: Have you been able to increase your compliance reviews as you hoped to do?

Mr. Mercado: Our FY 1990 annual operating plan projects an increase in the number of compliance reviews to be conducted this year compared to the number conducted in FY 1989. Through February 1990, OCR had initiated 55 new compliance reviews, a 66.7 percent increase over the 33 new starts initiated during the same period last year.

Mr. Natcher: How long does the average compliance review take?

Mr. Mercado: The compliance reviews closed during FY 1989 indicate that it took OCR 356 days on average to conduct a compliance review from start to finish. This time frame compares with 362 days in FY 1988.

Mr. Natcher: Tell us how you conduct a compliance review. What actually occurs?

Mr. Mercado: In conducting a compliance review OCR takes the following steps:

o Determines the recipient of DHHS Federal financial assistance to be reviewed under certain legal authorities based on information which indicates a potential for a civil rights problem or as part of a systematic review of the recipient. A recipient to be reviewed under the OCR Annual Operating Plan must meet certain criteria as defined in that document. Other reviews may address region-specific problems.

- Develops a Compliance Review Plan which contains: (1) background information on the recipient's programs and activities; (2) issues and areas to be covered by the review; (3) a list of persons to be interviewed; and (4) data to be secured and examined during the review.

- Notifies the recipient in writing by certified mail, return receipt requested, that it will be the subject of a compliance review.

- Requests recipient to provide or have available during the on-site review relevant data required for compliance determinations on each issue.

- Conducts the on-site review in the following sequence: (1) opening conference; (2) orientation meeting for information collection; (3) interviews; (4) collection of written information; and (5) exit conference.

- Prepares the Compliance Review Report.

- Prepares the findings and recommended decision which sets forth OCR's determination on the compliance status of the recipient. This documentation also includes recommendations for bringing a noncomplying recipient into compliance with the applicable regulations.

- Notifies the recipient of OCR's decision with respect to its findings from the compliance review.

- Enters into negotiations at any point during the compliance review when a recipient indicates that it is willing to take voluntary action to comply with applicable legal authorities.

- Submits the case to OCR Headquarters with an Early Warning Report in the event a noncompliance letter of findings is to be issued to the recipient. During this process, the case undergoes a critical legal, policy, and procedural review. Based on the outcome of the review, the case is either returned to the regional office for further investigation or the region is instructed to issue a noncompliance letter of findings if the recipient has not (1) corrected the violations, (2) submitted a corrective action plan, or (3) agreed to negotiations.

EQUIPMENT

Mr. Natcher: In last year's budget you estimated your equipment purchases as $70,000 for 1990. In this year's budget you have raised that amount to $410,000 for 1990. What accounts for the six-fold increase?

Mr. Mercado: In the FY 1990 budget request OCR included $600,000 for Information Resources Management, principally computerization, in the "other services" component rather than in the "equipment" category. In the revised FY 1990 column of the

FY 1991 budget justification, the Information Resources Management funds which OCR would be able to utilize for computer and computer-related purchases ($340,000) were deleted from "other services" and inserted in the "equipment" line item.

Mr. Natcher: Were you planning to notify the Committee of this large increase in any other fashion besides just changing the number in the table on page 123?

Mr. Mercado: As indicated in our previous response, the change in categorizing the expense does not represent a change in OCR's intent to utilize appropriated funds for Information Resources Management.

Mr. Natcher: Where did you obtain the additional equipment funds?

Mr. Mercado: As indicated, OCR did not obtain additional funds for equipment over and above the original budget estimate included in the "other services" category.

Mr. Natcher: How much did you spend on equipment in 1989?

Mr. Mercado: In FY 1989 OCR obligated $469,000 for equipment. This sum included initial computer-related purchases under OCR's Information Resources Management plan required by the Department.

Mr. Natcher: How did your 1989 expenditure compare with the original budget estimate?

Mr. Mercado: The FY 1989 budget estimate for equipment was $70,000. During FY 1989 OCR accrued savings in personnel costs, rental charges, and other services. The savings were applied to initial computer-related purchases pursuant to the Information Resources Management plan.

SIMMONS COLLEGE CASE

Mr. Conte: What is the status of the Simmons College case? I understand it is now in the Washington office. They expressed concern over the long time your office has taken in reviewing the case and getting back to your Boston office.

Mr. Mercado: The case is currently in the Boston office. Since December 31, 1989, our Region I staff and Simmons College officials have been engaged in negotiation process meetings. The purpose of the meetings is to develop a voluntary compliance agreement. Items to be contained in the agreement include such items as (1) equal housing arrangements for male and female graduate students; (2) confirmation that the graduate school will indeed operate as a separate "ENTITY;" and (3) the establishment of a grievance procedure. It is anticipated that the agreement will be completed by September 15, 1990.

STAFFING

Mr. Conte: Your budget asks for a total of 325 FTEs for your office. Meanwhile your complaint case workload is up and your discrimination complaints are up 38 percent. Do you have enough staff to handle the whole workload?

Mr. Mercado: Staffing is adequate to manage the complaint workload assuming the annual number of receipts does not rise substantially above current estimates. Although discrimination complaints rose by 38 percent in FY 1987-88, the FY 1989 rate of increase was more moderate at 3 percent. Based on current estimates the year-end inventories should remain relatively constant as a proportion of the total complaint workload.

OUTREACH EFFORTS

Mr. Conte: Your office has been involved in promoting voluntary compliance and outreach. Can you tell us how your outreach efforts are working to promote civil rights among minorities and disadvantaged people?

Mr. Mercado: The following exemplifies FY 1989 outreach activities conducted by OCR pertaining to a broad range of civil rights issues:

o OCR conducted conferences with health care providers focused on access to health care and included distribution of Title VI and Hill-Burton Fact Sheets as well as brochures regarding the role and responsibility of health care workers with regard to Title VI;

o OCR gave several briefings on the civil rights aspects of Immigration Reform and Control Act to State agency representatives and strengthened contacts with the beneficiary community;

o OCR provided technical assistance to Hill-Burton facilities in one region, resulting in agreements to comply with community service requirements;

o OCR conducted outreach activities focusing on Afro-American communities;

o OCR participated in meetings dealing with Native American health and social service issues and refugee resettlement issues; and

o OCR participated in conferences with NAACP groups, affirmative action agencies, Hispanic community groups, refugee groups, meals-on-wheels agency administrators, nursing home administrators, and many more, resulting in large-scale information dissemination, establishment of local contacts and networks to distribute materials, and increased communication between advocacy groups and health care and social services providers.

AIDS issues were the predominant focus of FY 1989 outreach activities. Almost every region conducted at least one AIDS project. In these activities, the regions included periodic assessments of needs of minorities and disadvantaged in order to target their outreach activities where the greatest need was and where results could be achieved. In FY 1989 the greatest need for AIDS outreach was in the black and Hispanic communities. Examples of some activities and accomplishments dealing with the HIV issue include the following:

o Through conferences and dissemination of written materials, OCR informed persons with AIDS and HIV infection about their rights under civil rights statutes, with focus on black and Hispanic groups;

o OCR trained staff of the Department's operating divisions together with groups working with people with AIDS;

o OCR's intensive AIDS project in Ohio resulted in a change in the State Administrative Code that affected all nursing homes in the State and reduced discrimination against persons with AIDS in both services and employment;

o OCR distributed education materials to thousands of people at conferences and meetings and through mailings to HHS recipients, state AIDS coordinators, and regional OPDIV heads;

o OCR received over 40 complaints as a direct result of specific outreach conferences;

o OCR provided AIDS training to 300 Texas Nursing Homes administrators; and,

o OCR provided public service announcements in California in areas where the incidence of AIDS is high.

Other outreach activities focused on issues involving persons with Limited English Proficiency (LEP) and hearing-impairments. These activities yielded the following results:

o OCR's outreach resulted in two complaints, one against a major hospital and another against a State agency regarding treatment of LEP persons;

o A mental health department developed a plan to ensure effective communication with LEP clients;

o A State health and human services department recruited and selected for employment persons with bilingual skills (Spanish especially);

o Two hospitals established policies for serving hearing-impaired patients and establishing a TDD; and

o OCR provided SSA district offices with technical assistance so that they now know how to obtain interpreters and are publicizing their TDD 800-number.

REQUESTS FOR ASSISTANCE

Mr. Conte: How many requests has your office received from recipients of HHS funds for help in complying with non-discrimination laws and regulations?

Mr. Mercado: During FY 1989 and the first quarter of FY 1990, OCR received 608 requests for help from recipient groups and organizations. Such requests included conferences, small meetings, training sessions, technical assistance site visits, and one-on-one sessions with an administrator or coordinator. In addition, numerous individual requests for information and assistance where made by recipients. There is no exact count of these day-to-day requests.

PRE-GRANT REVIEWS

Mr. Conte: What kind of review or assistance does your office undertake when a hospital or other health care institution seeks to join the Medicare program?

Mr. Mercado: OCR conducts pre-grant reviews of hospitals and other health care providers that apply for participation in the Medicare program. During a pre-grant review OCR evaluates civil rights compliance information submitted by the provider and, when appropriate, notifies the provider of any corrective action that may be necessary to assure compliance with the substantive and procedural requirements of the nondiscrimination laws and regulations.

MONITORING

Mr. Conte: How often do you monitor HHS recipients to ensure their compliance with nondiscrimination laws?

Mr. Mercado: OCR monitors program recipients to ensure that corrective action plans, negotiated as a result of a review or complaint investigation, are properly implemented. In addition, monitoring may be necessary when a health care provider submits information concerning its compliance status. In FY 1989, OCR monitored a total of 1,867 cases.

REVIEW OF NEW COMPLAINTS

Mr. Conte: What has been the turn-around time of your office in responding to new complaints of discrimination?

Mr. Mercado: OCR's initial action is to determine whether we have jurisdiction and authority to pursue the allegations and investigate the incoming complaint under the nondiscrimination laws and regulations the Department enforces. After making this and other determinations, OCR responds preliminarily to the complainant. The median initial response time to all complaints in FY 1989 was 18 days.

LONG-TERM CASES

Mr. Conte: What about your long-term cases — what are some of the factors contributing to the delay in their consideration? What has held up the Simmons case, for example?

Mr. Mercado: Although the agency has standard timeframes for each major stage of case processing, many factors can delay the case at different stages. For instance, cases which contain novel or complex issues often require more legal analysis than other cases and, in such cases, the regional office often needs more headquarters guidance. Cases which are precedential in nature require such legal analysis and may require high level policy determination within the agency or the Department. Some cases are delayed because the recipient is recalcitrant in providing information or in negotiating settlement. Other cases require extensive data analysis to arrive at a proper determination.

Major factors contributing to the delay in processing the Simmons case include:

o Complexity of the case which required extensive data gathering and analysis.

o Extensive time required to secure and act on legal and policy guidance on the case.

o Requirement for OCR to review additional materials submitted by counsel for the College and to process their request for reconsideration of OCR's initial noncompliance letter of findings.

Mr. Conte: Are long-term cases declining as a percentage of your total workload?

Mr. Mercado: During the past two fiscal years, the proportion of OCR's total complaint workload composed of one year or older cases declined from 13.9 percent of the FY 1988 complaint workload to 11.7 of the FY 1989 workload.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

Office for Civil Rights

FY 1991 Budget — Page

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

Office for Civil Rights

For expenses necessary for the Office for Civil Rights [$17,294,000] *$17,585,000*, together with not to exceed $4,000,000, to be transferred and expended as authorized by Section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein. (Department of Health and Human Services Appropriations Act, 1990.)

OFFICE FOR CIVIL RIGHTS

Amounts Available for Obligation [a]

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation:			
Annual................	$16,173,000	$17,567,000	$17,585,000
Reduction pursuant to Public Law 100-436...	-194,000	---	---
Reduction pursuant to Public Law 101-166...	---	-39,000	---
Reduction pursuant to Public Law 99-177....	---	- 234,000	---
Subtotal: Adjusted appropriation..........	15,979,000	17,294,000	17,585,000
Receipts and reimbursements from:			
Trust funds	3,952,000	4,000,000	4,000,000
Unobligated balance lapsing	- 45,000	---	---
Total obligations.......	$19,886,000	$21,294,000	$21,585,000

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[a] Excludes the following amounts for reimbursable activities carried out by this account: FY 1989 -- $37,000 and 0 FTE; FY 1990 -- $50,000 and 0 FTE; FY 1991 -- $50,000 and 0 FTE.

OFFICE FOR CIVIL RIGHTS

Summary of Changes

1990 Appropriation	$17,567,000
1990 Reduction pursuant to Public Law 99-177 (Gramm-Rudman-Hollings)	-234,000
1990 Section 518 reduction	-39,000
Total estimated budget authority	$17,294,000
1991 Request	17,585,000
Net change	+$291,000

	1990 Base	Change from Base
Increases:		
A. Built-in:		
1. Effect of January 1991 pay raise for GS/GM employees	$16,571,000	$446,000
2. Career ladder promotions, merit pay bonuses, and within-grade increases	16,571,000	+189,000
3. Increase in rental payments to GSA	1,931,000	+174,000
4. Annualization of January 1990 pay raise	16,571,000	+149,000
Subtotal	---	+$958,000
B. Program:		
1. Information Resources Management training	$545,000	+$30,000
2. Share of Working Capital Fund costs	551,000	+18,000
Subtotal	---	+$48,000
Total increases	---	+$1,006,000

OFFICE FOR CIVIL RIGHTS

Summary of Changes (Cont.)

Decreases:	1990 Base	Change from Base
A. Program:		
1. Reduction in Information Resources Management procurements............	$1,245,000	-$392,000
2. Absorption of personnel-related increases.......	16,571,000	-223,000
3. Attrition and lower grade hiring policies...	16,571,000	-100,000
Total decreases..	---	-$715,000
Net change.......		+$291,000

OFFICE FOR CIVIL RIGHTS

Budget Authority by Activity
(Dollars in thousands)

	1989 Actual		1990 Appropriation		1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
Office for Civil Rights.....	326	$15,979	325	$17,294	325	$17,585

OFFICE FOR CIVIL RIGHTS

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Total number of permanent positions....	337	337	---
Full-time equivalent of all other positions....	15	15	---
Total compensable workyears..............	325	325	---
Average ES Salary........	$75,543	$85,550	+$10,007
Average GS/GM Grade......	11.41	11.33	-0.08
Average GS/GM Salary.....	$42,225	$43,723	+$1,498
Personnel compensation:			
Full-time permanent....	$14,089,000	$14,481,000	+$392,000
Other than full-time permanent.............	362,000	375,000	+13,000
Other personnel compensation..........	75,000	75,000	---
Total personnel compensation......	14,526,000	14,931,000	+405,000
Personnel benefits.......	2,045,000	2,101,000	+56,000
Travel & transportation of persons............	440,000	440,000	---
Transportation of things.	11,000	11,000	---
Rental payments to GSA...	1,931,000	2,105,000	+174,000
Rent, comm. & utilities..	625,000	575,000	-50,000
Printing & reproduction..	115,000	60,000	-55,000
Other services...........	1,096,000	1,144,000	+48,000
Supplies and materials...	95,000	55,000	-40,000
Equipment................	410,000	163,000	-247,000
Total obligations by object..............	$21,294,000	$21,585,000	+$291,000

OFFICE FOR CIVIL RIGHTS

Significant Items in House and Senate Appropriations Committee Reports

Item	Action Taken or to be Taken
1989 Senate Report 101-127	
The Committee intends that the Office for Civil Rights increase its oversight, enforcement, and technical assistance to States and Department grantees in order to prevent inappropriate denial of services to persons with HIV infection.	For several years, OCR has had an ongoing program designed to address the issue of non-discrimination on the basis of HIV infection in the programs and activities of recipients of HHS funds. For 1990, as a significant part of its Annual Implementation Plan to the Department of Justice, OCR submitted a major objective "to assure that DHHS programs and activities are delivered on a non-discriminatory basis to persons with HIV infection and related conditions, or who are regarded as being HIV infected or having related conditions." Our priority issue areas in addressing this objective include a focus on: denial of access and/or differential treatment in the delivery of health care services to HIV-infected persons on the basis of age, race, national origin, handicap, or (for Hill-Burton facilities) any other ground unrelated to the need or availability of the service in programs and facilities; limited access/differential treatment in the delivery of health care and supportive services to minority persons with HIV infection; and criteria or methods of administration which subject HIV-infected persons to discrimination on the basis of race, national origin or handicap.

OFFICE FOR CIVIL RIGHTS

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Office for Civil Rights:				
P.L. 88-352; 42 U.S.C. 300s; P.L. 91-616; P.L. 92-157; P.L. 92-158; P.L. 92-255; P.L. 93-282; P.L. 93-348; P.L. 94-484; P.L. 95-567; P.L. 97-35	Indefinite	$9,512,000	Indefinite	$9,672,000
P.L. 92-318; P.L. 93-112; P.L. 94-135	Indefinite	$7,782,000	Indefinite	$7,913,000
Total.......		$17,294,000		$17,585,000

OFFICE FOR CIVIL RIGHTS

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1982:				
Appropriation	$17,460,000	$17,460,000	$17,460,000	$17,460,000
Trust Funds	2,256,000	2,256,000	2,256,000	2,256,000
FY 1983:				
Appropriation	19,163,000	19,163,000	19,163,000	19,163,000
Trust Funds	2,350,000	2,350,000	2,350,000	2,350,000
FY 1984:				
Appropriation	19,363,000	18,945,000	19,363,000	18,945,000
Trust Funds	2,350,000	2,350,000	2,350,000	2,350,000
FY 1985:				
Appropriation	17,850,000	17,850,000	18,945,000	17,850,000
Trust Funds	2,350,000	2,350,000	2,350,000	2,350,000
FY 1986:				
Appropriation	15,636,000	15,636,000	16,259,000	16,000,000
Sequester	-688,000	-688,000	-688,000	-688,000
Trust Funds	4,000,000	4,000,000	4,000,000	4,000,000
Sequester	-172,000	-172,000	-172,000	-172,000
FY 1987:				
Appropriation	15,285,000	15,285,000	15,285,000	15,285,000
Trust Funds	4,000,000	4,000,000	4,000,000	4,000,000
FY 1988:				
Appropriation	17,395,000	17,070,000	17,070,000	16,343,000
Trust Funds	4,000,000	4,000,000	4,000,000	3,830,000
FY 1989:				
Appropriation	16,173,000	16,173,000	16,173,000	15,979,000
Trust Funds	4,000,000	4,000,000	4,000,000	3,952,000
FY 1990:				
Appropriation	17,567,000	17,567,000	17,567,000	17,528,000
Sequester	-234,000	-234,000	-234,000	-234,000
Trust Funds	4,000,000	4,000,000	4,000,000	4,000,000
Sequester	---	---	---	---
FY 1991:				
Appropriation	17,585,000			
Trust Funds	4,000,000			

OFFICE FOR CIVIL RIGHTS

FY 1990 Appropriation FTE	FY 1990 Appropriation Obligations	FY 1991 Estimate FTE	FY 1991 Estimate Obligations	Increase or Decrease FTE	Increase or Decrease Obligations
325	$21,294,000	325	$21,585,000	---	+$291,000
Trust Fund transfers included above:					
	($ 3,952,000)		($ 4,000,000)		(+$48,000)

General Statement

Purpose and Method of Operations

The Office for Civil Rights (OCR) is responsible for enforcing eight major civil rights statutes that prohibit discrimination in federally assisted health and human services programs. These statutes include Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act, the Hill-Burton community service assurance, the Age Discrimination Act, and provisions of the Omnibus Budget Reconciliation Act of 1981 requiring nondiscrimination in block grant programs administered by DHHS.

In addition, OCR is responsible for coordinating implementation of the 1988 Section 504 regulation which prohibits handicap discrimination in programs and activities conducted by the Department.

Under the civil rights statutes enforced by the Department, providers of health care and social services are prohibited from discriminating on the basis of race, color, national origin, handicap, or age. There are approximately 230,000 group and institutional providers of federally-assisted services subject to the Department's nondiscrimination requirements. Recipients of Department funds include hospitals, extended care facilities, mental health centers, alcohol and drug treatment programs, State and local public assistance agencies, adoption and foster care programs, and senior citizens programs.

To enforce the nondiscrimination statutes, OCR has traditionally relied on a broad-based compliance program including complaint investigations, compliance and other reviews, monitoring of corrective action plans, and voluntary compliance and outreach activities.

The compliance program, enumerated above, is supported by a legal staff and a program management staff. The FTE allocation to these three OCR components is as follows:

Activity	FY 1989 FTE	FY 1990 FTE	FY 1991 FTE
Compliance Activities	277	278	279
Legal Services	21	21	21
Program Management	27	26	25
Total	325	325	325

Funding levels for the past five fiscal years are as follows:

1986	$19,140,000
1987	$19,285,000
1988	$20,173,000
1989	$19,931,000
1990	$21,294,000

COMPLIANCE ACTIVITIES

In the budget, OCR's compliance activities are identified as follows:

- Complaint processing.
- Reviews.
- Monitoring.
- Voluntary compliance and outreach activities.

The FY 1991 budget request would support 325 FTEs, the same FTE level as in FY 1990. Of the total, 279 FTEs are to be allocated to compliance activities. The following table compares the actual distribution of FTEs among the compliance activities in FY 1989 to the FY 1990-91 projections:

Activity	FY 1989 FTE	FY 1990 FTE	FY 1991 FTE
Complaint Processing	166	163	160
Reviews	79	81	85
Monitoring	12	15	15
Voluntary Compliance and Outreach	20	19	19
Total	277	278	279

The table reflects planned adjustments to the FY 1989 FTE distribution to enable OCR to increase the number of compliance reviews and necessary monitoring actions. By FY 1991 a minimum of 85 FTEs will be utilized to conduct reviews in order to achieve a more balanced compliance program relative to complaint processing.

For all compliance work in FY 1989, OCR exceeded its production goals by 12.5 percent. During the FY 1988-89 period productivity rose an average of 17 percent per year. Further gains are anticipated in FY 1990-91 through expanded use of ADP applications and additional measures to expedite the casework.

1. Complaint Processing

OCR's policy is to resolve all complaints of discrimination that are filed and to conduct a timely investigation when necessary. This policy is based on the Department's regulations implementing the various nondiscrimination statutes and the Department of Justice coordinating regulation requiring compliance agencies such as OCR "to establish procedures for the prompt processing and disposition of complaints" alleging discrimination (28 CFR Section 42.408(a)). Court decisions interpreting Title VI of the Civil Rights Act have established that departments and agencies have an obligation to respond promptly to information indicating that civil rights violations may be occurring.

A complaint investigation usually requires field visits, interviews with recipient staff and community organizations, and the collection and analysis of evidentiary data. If a complaint is found to be valid, recipients must take appropriate steps to remedy the civil rights violations. Most complaints allege discrimination on the basis of race, national origin, or handicap.

Accomplishments

In FY 1989 the number of complaints filed rose to 1,642 receipts, an increase of 53 receipts, or 3.3 percent, over the previous year. OCR completed action on 1,603 complaint cases, 74 closures higher than estimated in the FY 1990 budget justification. More than half of all investigated cases resulted in corrective change. Workload and case closure rates per investigative staff member increased by 9.5 percent and 2.7 percent respectively. OCR expects to achieve higher case closure rates in FY 1990-91.

The following table summarizes the FY 1989 complaint workload and projected FY 1990-91 activity:

Complaint Workload

Status/Activity	FY 1989	FY 1990	FY 1991
Beginning Inventory	558	597	637
Complaints Received	1,642	1,700	1,760
Complaints Closed	1,603	1,660	1,710
Ending Inventory	597	637	687

Rationale for the Budget Request

Compared to the FY 1987-88 period, when discrimination complaints surged by 38 percent, the number of complaints filed rose more modestly in FY 1989 (3 percent). The budget assumes a continuation of the FY 1989 trend. At the same time, the number of complaint cases requiring a full investigation rose to 45 percent in FY 1989, compared to 40 percent in FY 1988, reflecting in part the growing complexity of the complaint workload. In FY 1989, OCR received 160 AIDS-related discrimination complaints and 74 complaints alleging unlawful patient transfers. Barring a more significant increase in complaint receipts, above current estimates, the year-end inventory in FY 1990 should remain a constant proportion (27 percent) of the overall complaint workload. The allocation of 160 FTEs to complaint processing should be sufficient to keep pace with the complaint workload without depleting other critical activities of needed staff resources.

2. Reviews

Regulations implementing the nondiscrimination laws obligate the Department to periodically review recipient programs to ensure compliance. The purpose of a review is to assess the compliance status of a program recipient and secure corrective action if necessary.

OCR plans to conduct the following types of reviews in FY 1990 and FY 1991:

- Compliance reviews - a compliance review is a comprehensive, on-site review that often involves programs at the State agency level and covers all relevant statutory civil rights authorities.
- Pre-grant reviews - a pre-grant review is conducted when health care facilities seek approval from the Department's Health Care Financing Administration to participate in the Medicare program.

- o **Project reviews** - a project review is usually of short duration and is used to follow up on specific compliance problems that come to light through the Hill-Burton community service reporting system or other compliance reports.

Accomplishments

In FY 1989 OCR conducted a total of 134 compliance reviews, 3,311 pre-grant reviews, and 111 project reviews. From FY 1989 to FY 1991, OCR intends to shift six FTEs from complaint processing and other functions to compliance reviews. This additional allocation will increase the number of compliance reviews initiated and completed in FY 1990-91 compared to FY 1989 levels.

The following table summarizes the FY 1989 workload and provides FY 1990-91 projections for compliance reviews:

Compliance Reviews

Status/Activity	FY 1989	FY 1990	FY 1991
Beginning Inventory	68	39	34
New Reviews	66	110	140
Reviews Completed	95	115	140
Ending Inventory	39	34	34

Pre-grant reviews are mandated when health care providers such as nursing homes and home health agencies apply to participate in the Medicare program. When providers seek Medicare certification, OCR conducts a pre-grant review to determine whether they are in compliance with Title VI, Section 504, and the Age Discrimination Act.

The following table summarizes the pre-grant review workload in FY 1989 and provides projections for FY 1990-91:

Pre-Grant Reviews

Status/Activity	FY 1989	FY 1990	FY 1991
Beginning Inventory	511	613	673
New Reviews	2,800	2,875	2,955
Reviews Completed	2,698	2,815	2,935
Ending Inventory	613	673	693

The pre-grant review workload rose to 3,311 cases in FY 1989. A total of 2,698 pre-grant reviews were completed. OCR anticipates slightly higher workloads in FY 1990 and FY 1991.

In FY 1989 OCR conducted a total of 111 project reviews, including 73 new starts, and completed work on 98 of the cases. OCR expects an equivalent workload in FY 1990-91.

Rationale for the Budget Request

In FY 1989 workload pressures in other areas -- complaint processing, pre-grant reviews, monitoring -- eroded investigative time available to conduct compliance reviews. Compliance reviews are an effective mechanism enabling OCR to address serious problems of discrimination and fully assess the compliance status of federally-assisted programs. To rectify the evolving imbalance, OCR's FY 1990 annual operating plan and FY 1990-91 budgets project a higher level of compliance reviews, to be achieved in part through a reallocation of six FTEs above the FY 1989 level. The policy assumes a relatively stable complaint workload and continued productivity gains in processing discrimination complaints.

3. Monitoring

The purpose of monitoring is to ensure that program recipients carry out the measures set forth in corrective action plans negotiated by OCR. In addition, monitoring is necessary when facilities subject to pre-grant reviews are required to submit information to enable OCR to make a compliance determination.

Corrective action plans are negotiated to resolve compliance problems that are uncovered or verified during a review or complaint investigation. Monitoring involves reviewing reports or information submitted by program recipients. In some instances on-site visits may be necessary to assess a recipient's progress in implementing corrective measures.

Accomplishments

In FY 1989, OCR's monitoring workload included a total of 1,867 cases compared to 1,520 cases in FY 1988.

Rationale for the Budget Request

OCR will allocate 15 FTEs, an increase of three FTEs, to monitoring in FY 1990-91 to carry out the necessary amount of monitoring actions.

4. Voluntary Compliance and Outreach

Through voluntary compliance activities, OCR provides compliance information to beneficiaries and technical assistance to recipients of HHS funds to encourage voluntary compliance with the nondiscrimination laws and regulations. Technical assistance is made available through: training, developing and disseminating compliance information; and providing recipients and recipient groups and local and State officials with guidance on how to voluntarily comply with applicable civil rights laws. This component of OCR's compliance program serves three purposes: (1) to deter or prevent discrimination problems; (2) to provide recipients that are out of compliance with assistance in designing corrective action; and (3) to promote voluntary compliance among a wider universe of program recipients that have not been subject to a review or complaint investigation.

Accomplishments

In FY 1989 OCR implemented the Section 504 regulation prohibiting handicap discrimination in programs and activities conducted by the Department. Initial steps were taken to provide technical assistance to HHS components and review their self-evaluation reports and transition plans. OCR conducted one-time and multi-year special projects covering 27 specific compliance issues to enhance access to health care by minorities, handicapped persons, and senior citizens. A total of 67 on-site visits and 127 training sessions were conducted to disseminate compliance information and encourage voluntary compliance among state agencies and providers.

Rationale for the Budget Request

OCR will allocate 19 FTEs to voluntary compliance and outreach in FY 1990 and in FY 1991. With this allocation OCR will continue to place priority on:

- Conducting outreach efforts to prevent facilities from implementing policies and procedures that result in prohibited discrimination in employment and in the delivery of services to persons with AIDS;
- Providing technical assistance to enable Hill-Burton facilities to comply with the requirements of their community service assurance;
- Coordinating implementation of the new Section 504 regulation by HHS components;
- Sponsoring and participating in training sessions and other programs designed to ensure access to health care and social services for minorities, limited English speaking persons, handicapped persons, and senior citizens;

- Responding to requests for technical assistance through on-site consultations with State and local government officials and health care facilities;
- Providing technical assistance to program recipients to develop and implement corrective action plans;
- Implementing joint civil rights-related activities with the Department's OPDIVs.

OFFICE OF THE GENERAL COUNSEL (CIVIL RIGHTS)

OCR's budget request contains funds to support the Civil Rights Division of the Department's Office of General Counsel. Division attorneys in headquarters and in the regional offices provide OCR staff with legal advice and assistance in interpreting and applying the nondiscrimination laws and regulations.

Specifically, the Civil Rights Division: (1) prepares cases for administrative enforcement proceedings and refers cases to the Department of Justice for enforcement; (2) assists the Department of Justice in litigating court cases involving civil rights issues and health and human services programs; (3) reviews or assists in developing civil rights regulations, policy interpretations, and guidelines; (4) issues legal opinions at OCR's request; and (5) provides legal guidance in applying the Privacy Act, the Freedom of Information Act, and other statutes and regulations with which OCR must comply.

Rationale for the Budget Request

OCR will allocate 21 FTEs to legal services in FY 1990-91. OCR anticipates that at the planned FTE level the Civil Rights Division will be able to provide all necessary legal assistance in connection with letters of findings, corrective action plans, regulations, legal interpretations, guidelines, and technical assistance materials. Specifically, the attorney staff is expected to provide legal advice in connection with an estimated 175 investigated complaints, reviews, and corrective action plans, and 60 litigation matters. In addition, the attorney staff will review potential enforcement actions in approximately 150 cases, represent OCR at administrative hearings and appeals, and provide general legal guidance regarding court decisions and the scope and applicability of statutory and regulatory requirements.

PROGRAM MANAGEMENT

This component provides OCR with overall policy direction and management services needed to plan and accomplish program objectives. Management determines compliance and enforcement priorities, including program planning; provides policy direction; allocates staff to priority objectives; monitors and evaluates progress; makes final decisions on OCR's compliance standards, procedures, proposed regulations and policy determinations; provides a full range of administrative services in areas such as ADP systems acquisition and other procurement, property management, supplies, and personnel; and ensures coordination with departmental officials and with other Executive Branch departments and agencies.

Accomplishments

In FY 1989 management took steps to improve the quality and efficiency of the casework and to enhance program planning and evaluation. These key objectives were achieved:

- Commenced implementation of a multi-year information resources management plan to increase efficiency and productivity through expanded use of ADP equipment and systems;
- Coordinated federal enforcement of the Age Discrimination Act;
- Implemented improved quality assurance standards and conducted quality assurance reviews of the investigative casework at OCR's ten regional offices;
- Developed, implemented, and monitored an annual operating plan setting forth compliance goals and benchmarks;
- Completed mailings of survey forms to Hill-Burton facilities subject to the third triennial of the community service assurance reporting system, and prepared preliminary analyses of survey results;
- Implemented productivity improvement plans.

Rationale for the Budget Request

OCR will assign 25 FTEs to management functions in FY 1991 compared to 27 FTEs in FY 1989. This staff complement will continue to provide the office with the full range of administrative services, provide overall policy direction and program coordination, and implement and monitor operating plans.

OFFICE FOR CIVIL RIGHTS

Detail of Permanent Positions [a]

	1989 Actual	1990 Estimate	1991 Estimate
ES-3	2	2	2
ES-2	--	1	1
ES-1	1	1	1
Subtotal	3	4	4
GS/GM-15	24	24	24
14	32	32	32
13	50	50	50
GS- 12	128	132	132
11	31	26	26
10	1	1	1
9	22	15	15
8	4	4	4
7	14	14	14
6	10	9	9
5	10	15	15
4	5	8	8
3	1	3	3
2	2	--	--
Subtotal	334	333	333
Total permanent positions	337	337	337
Unfilled positions, end-of-year	-18	-12	-12
Total permanent employment, end-of-year	319	325	325

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[a] Does not include temporary, Stay-In-School, or Junior Fellow employees.

WEDNESDAY, MARCH 28, 1990.

OFFICE OF INSPECTOR GENERAL

WITNESS

RICHARD P. KUSSEROW, INSPECTOR GENERAL

Mr. EARLY. Next, we are going to hear from Richard P. Kusserow, the Inspector General.

Mr. KUSSEROW. Mr. Chairman, if I could, let me submit my formal statement for the record, and perhaps I can highlight from it, in view of the advancing hour.

Mr. EARLY. That will be fine. We will include your entire statement in the record at this point.

[The information follows:]

Good morning Mr. Chairman, I am Richard P. Kusserow, Inspector General of the Department of Health and Human Services. I am pleased to appear before you today to present the FY 1991 appropriations request for the Office of Inspector General (OIG). As you know, our statutory mission is to eliminate waste, fraud and abuse in the Department's programs and to protect those beneficiaries whose health and welfare depend on them. The resources requested for FY 1991 will enable us to continue to fulfill that mission.

ACCOMPLISHMENTS

Before describing some of our goals and objectives for the coming year, I would like to thank you for your assistance with our past fiscal year appropriations. You can be assured that those additional resources you supported have been and will be put to good use. In FY 1989, we recorded our ninth consecutive increase in savings and prosecutorial accomplishments. Other significant accomplishments include: identification of 21 material weaknesses in program internal controls; improvements in the Department's internal control program; our generic drug investigations; our work in the areas of Medicare as secondary payer; and child support enforcement.

During FY 1989, $5,689,000,000 in settlements, fines, restitutions, receivables and savings resulted from OIG activities and implementation of OIG recommendations. Our most impressive growth came in the area of administrative sanctions effected, in which we imposed 846 sanctions on individuals and entities who defrauded or abused departmental programs or their beneficiaries. This represents an increase of 117 percent since 1985. In addition, our investigative staffs' efforts resulted in a record 1,278 successful judicial prosecutions.

The OIG's role in the Department's internal control program includes advising top management on internal control issues, analyzing the Department's process for evaluating internal controls, and reviewing the Department's annual report to the President and the Congress on the status of internal control weaknesses. During FY 1989, the OIG identified 21 of the 25 material weaknesses which were included in the Secretary's report to the President and the Congress as required under the Federal Managers' Financial Integrity Act (FMFIA).

In addition, we are proud to be producing for the third time our Cost Savers and Management Improvement Recommendations handbooks. These books, commonly referred to as the Red and Orange book respectively, reflect either where funds could be put to better use or where we believe, based on our work, management improvements are needed in the Department's programs. Our Red book lists recommendations which could result in over $16 billion in savings. Other OIG activities result

in the identification of questioned costs (costs which are challenged because of a violation of law, regulation, grant, etc.) and unsupported costs (those costs which are not supported by adequate documentation).
The OIG also performs a number of functions that cannot be quantitatively measured. Our primary activity in this area is the execution of short term evaluation studies which assess complex qualitative aspects of the Department's programs. These studies are frequently requested by high level departmental executives and Members of the Congress and result in rapid, accurate and up-to-date information. Examples of this work include audits and inspections on cholesterol screening, hospital patient dumping, hospital closures, hospital profits, Social Security and Medicare client satisfaction, independent laboratories, Medicare reimbursement issues, physician ownership of health care facilities, and youth drug education programs. These types of studies give departmental managers and congressional law-makers timely information needed in their decision-making process.

BUDGET REQUEST

Our FY 1991 budget request includes resources for 1,415 FTEs, which is the same as our FY 1990 level. For FY 1991, we are requesting $95,223,000 in obligational authority, of which $51,500,000 would be from FY 1991 appropriations. Additionally, $43,723,000 would be transferred from the Medicare and Social Security trust funds for work in support of these programs. Our FY 1991 request is a 1.1 percent increase above the FY 1990 level. We have not requested additional FTEs in FY 1991 and only a marginal increase in obligational authority. We will accomplish our goals and objectives by shifting existing resources which are no longer needed to monitor the Catastrophic program. Many of these pertain to critical issues confronting the Department and will assist in attaining the Secretary's goals and objectives. I would like to briefly describe some of these goals.

FMFIA

For the coming year, we will continue our emphasis on ensuring that effective managerial internal controls are in place among the multitude of programs within the Department. The most effective way to prevent incidents of fraud, waste and mismanagement from occurring in the Department is to ensure that effective management controls are in place and to ensure that established policies and procedures are consistently followed.

While all managers are responsible under the FMFIA for identifying potential for loss, for establishing and assessing controls and safeguards where needed, the OIG provides the leadership, oversight and guidance needed to ensure that a system of checks and balance are in place. Audits, inspections and other reviews conducted by OIG, while not a substitute for management controls, complement an effective management program for prevention and early detection of fraud and mismanagement.

Medicare as Secondary Payer

The OIG will continue its efforts to eliminate billings to Medicare which violate the Medicare secondary payer (MSP) provisions. Numerous studies conducted by OIG and the General Accounting Office have demonstrated that, despite legislation making Medicare the secondary payer, Medicare continues to be billed as primary payer. Recent court cases have affirmed our position that private companies are liable for those claims which they should have paid under the MSP provisions. We will audit selected insurance companies and fiscal intermediaries to determine if they are complying with MSP provisions and will assess contractor procedures to ensure that all appropriate Medicare payments are identified and processed in a timely and accurate manner.

Public Health Service

We plan to focus on new activities in the Public Health Service and will conduct audits and inspections of issues pertaining to acquired immune deficiency syndrome (AIDS), biomedical research, scientific misconduct, and substance abuse. We will also focus particular attention on the Food and Drug Administration programs in view of recent problems associated with generic drugs and medical devices.

Physician Payment Reform

We also plan extensive monitoring and oversight activities related to the implementation of the recently enacted resource-based relative value scale for physician reimbursements. This change in physician reimbursement was included in the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239) and represents the most significant change to the Medicare program since the enactment of the prospective payment system (PPS) in 1983.

Sanction Authorities

During the past 5 years, the Congress has vastly expanded the sanction authorities which the OIG is charged with enforcing - an expansion of approximately 60 authorities. The majority of these authorities were contained in the Medicare and Medicaid Patient and Program Protection Act of 1987 (Public Law 100-93), the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203), the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239), and various provisions retained from Public Law 100-360.

During 1990, OIG anticipates promulgating regulations implementing many of these new authorities and has already begun enforcing these authorities. Final regulations are being developed to address the emergency care anti-dumping provisions, the Medicare anti-kickback "safe harbor" provisions and penalties resulting from violations of the National Practitioner Data Bank. A comprehensive proposed regulation package addressing a variety of new OIG exclusion and civil monetary penalty authorities, resulting from Public Law 100-93, will also be published shortly for public comment. The increase in OIG sanction activity is dramatically illustrated in the 846 sanctions imposed in FY 1989. In addition, we plan to maintain our criminal investigations in all the Department's programs.

Family Support Act

In addition, we plan a number of studies related to monitoring the implementation of the Family Support Act of 1988 (Public Law 100-485), including an evaluation of paternity establishment methods, effectiveness of the JOBS program and availability of child care facilities.

CONCLUSION

Funding spent on the Office of Inspector General is a sound investment. In FY 1989, each dollar invested in our office resulted in savings of over $66. We are proud of our statistical accomplishments and the successes we have had in ensuring that beneficiaries receive quality care, that the integrity of the trust funds are maintained, and that those individuals who defraud the Department's programs are held accountable for their actions. The resources that we have requested for FY 1991 will enable us to continue to maintain our statistical accomplishments, and carry out our commitment to protect the Department's programs and the health and welfare of the beneficiaries of those programs.

RICHARD P. KUSSEROW

Inspector General
Department of Health and Human Services

Richard P. Kusserow was nominated Inspector General of the U.S. Department of Health and Human Services by the President in April of 1981 and confirmed by the Senate in June.

As Inspector General of the Department, he is charged with the statutory responsibility to ferret out fraud, waste, abuse and inefficiency in the world's largest agency. This department has some 250 health and human services programs and a budget of nearly one-half trillion dollars which represents over one-third of the federal budget.

Kusserow directs a staff of 1,400 auditors, inspectors, program analysts and investigators. His office recorded more than $5 billion in fines, savings, restitutions, recoveries and settlements in the last year. This represents a 3,500 percent increase during his tenure. Since 1981, convictions resulting from his investigative staff rose from 165 to nearly 1,300, an 800 percent increase. Additionally, he has increased successful administrative sanctions in excess of 1,000 percent against health providers and suppliers. He has "kicked out" over 2,500 individuals and entities from the Medicare and Medicaid programs for abusive or fraudulent behavior against the beneficiaries or programs.

Kusserow served from 1985 to 1989 as the Vice Chairman of the President's Council on Integrity and Efficiency (PCIE). The PCIE, created in 1981 by President Reagan, provides cohesive leadership to governmentwide activities to reduce fraud, waste and abuse in federal programs and operations. The Vice Chairman's role includes the responsibility for coordinating and tracking all governmentwide Inspector General projects; managing the preparation of the President's semiannual report on the accumulated accomplishments of all Inspectors General; coordinating efforts with the President's Council on Management Improvement; and, serving as liaison for all Inspectors General with the Office of Management and Budget.

He is a member of the Attorney General's Economic Crime Council and was appointed by President Bush to serve on the National Advisory Commission on Law Enforcement. Kusserow is president-elect of the National Association of Government Accountants (AGA) and past-president of the Baltimore Chapter of AGA. Since 1985, he has served on the AGA Task Force on Federal Financial Management. He also serves as the Federal representative to the National Intergovernmental Audit Forum. On July 1, 1987, he received the National Distinguished Leadership Award for sustained outstanding leadership and notable contributions in the field of financial management from the National Association of Government Accountants. He was twice elected national president of the Association of Federal Investigators and is an active member of the Society of Former FBI Agents, and the American Society of Industrial Security.

He earned his bachelor's degree from UCLA, followed by postgraduate work at Southern Methodist University and John Marshall University School of Law. He earned a master's degree from California State University at Los Angeles where he was also employed as a lecturer in government.

Kusserow served in the United States Marine Corps and was honorably discharged as a captain. He was an intelligence officer with the Central Intelligence Agency (CIA) before moving to the Federal Bureau of Investigation (FBI) in 1969. As an FBI agent, he worked in Pennsylvania, Washington, D.C., West Virginia and Chicago. He acted as the coordinating supervisor for nine squads of agents constituting the Chicago FBI Organized Crime program preceding his appointment as inspector general.

He has lectured widely and written numerous articles on innovative investigative and management techniques on fraud and corruption in government programs. He is co-author of the book entitled "Management Principles for Asset Protection."

January 1990

OPENING REMARKS

Mr. **KUSSEROW**. Our fiscal year 1991 budget request includes resources for 1,415 FTEs, which is the same as our fiscal year 1990 level. For fiscal year 1991, we are also requesting $95,223,000 in obligational authority, which does not include $2,200,000 in reimbursements for work we do for other agencies of the Federal government. Our request breaks down to $51,500,000 from appropriations and $43,723,000 in transfers from the trust funds that we service.

Our budget proposes increasing obligations only 1.1 percent over fiscal year 1990. This increase covers only a portion of such things as mandatory pay raises and rent increases. We intend to absorb the full amount of cost increases totalling $1,570,000.

Between 1985 and 1990, outlays in HHS rose 44 percent, or roughly $30 billion each year. If you were to measure that increase against some other agencies, you would notice that this Department's increase is more than the entire budget of the Department of Transportation, the Department of Energy, HUD or the Department of Labor. Each of these agencies has an Inspector General, with a staff of roughly 500 FTEs to cover a $30 billion budget—the amount of our increase alone. And, along with this $30 billion increase has come an increase in our workload.

OIG ACCOMPLISHMENTS

Notwithstanding this increased workload, our activities have continued to result in savings, as well as in the identification of more wrong-doers, in successful criminal, civil, and administrative prosecutions, and in improved operations. We are currently at a level where we give a return of about $66 in savings to HHS programs for each dollar invested in our budget.

We achieved this last year, a cost savings of $5.689 billion. This is approximately $4.25 million per FTE that was saved for the taxpayers.

In addition, we achieved 1,278 successful criminal prosecutions against those individuals or entities that tried to criminally attack our programs or our beneficiaries. That was, on the average, four convictions for each investigative FTE.

I should also point out that we had 846 successful civil and administrative litigations last year. This was a very significant increase of 81.5 percent over the previous year, due in large measure to the fact that the last two Congresses have added roughly 60 new sanction authorities for our policing activities in the programs. We are, in fact, trying to rise to meet these obligations that Congress has entrusted us with.

We also are not unmindful of the importance of nonmonetary findings. We try to be sure that programs make necessary improvements in the administration of their programs. By focusing attention on material weaknesses this way, we try to avoid having the sort of problems that we witnessed in HUD recently.

In furtherance of that effort, we have for the last several years published what we call our Orange Book, which identifies systemic or program weaknesses in the Department We then track actions to correct them. We have decided to make the Orange Book a far more trackable document. Our most recent issue lists weaknesses we have found in all the Department's programs, and each weakness description has a chart tracking the status of implementation of our recommendations, to make sure our findings and management decisions don't fall through the cracks.

With your permission, Mr. Chairman, I would be pleased to leave this Orange Book with you.

Mr. EARLY. We appreciate that. Leave it with the staff.

NEW DIRECTIONS

Mr. KUSSEROW. In 1990 there have been a number of mid-course changes and dramatic changes that have come about. One, of course, was the fact that we were directed by the Congress to do an enormous amount of work in support of the Medicare Catastrophic Coverage Act, which was then rescinded. So, we had to pull back from doing audits and studies in that area.

At the same time, we also had to respond to other changing conditions, one of which was the emergence of a major problem costing the Medicare trust fund $400 to $900 million a year. This was in the area known as medicare secondary payer, where insurance companies are to be the prime payer and Medicare the secondary payer. We have shifted 50 FTEs into this area. With the passage of the Omnibus Budget Reconcilation Act, we have also shifted major resources into examining physician reimbursement, to provide data to the Administration and the Congress for decision-making concerning volume controls and other mechanisms that are built into physician reimbursement reform.

As I mentioned earlier, the passage of a tremendous number of new sanction responsibilities to protect beneficiaries against individuals who provide substandard care or who would compromise the program has caused us to divert a lot of resources in that area. It is showing results. When you have nearly an 82 percent increase in prosecutions in one year, you know there has been a lot of effort put into that arena.

We also have a lot of work that is coming about as a result of increased monitoring in the Public Health Service programs. I am sure you are aware, Mr. Chairman, we have been doing an across-the-board examination of all of the processes of the Food and Drug Administration. We have been doing evaluations, inspections and investigations into the generic drug area in response to the major scandals that have emerged there. This has resulted in a number of criminal prosecutions. We have made major recommendations to improve the overall program.

We are looking into the "510-K" process, which relates to FDA's regulation of devices, to determine whether systemic problems like those which emerged in generic drug approval process also exist in the regulation of devices. We are also looking at the new drug approval process, as well as new device approval processes, as a result of Congressional scrutiny.

In response to investigations we have performed in the Public Health Service, we have increased our activities there. We currently have seven national studies focusing on quality of care, prevention and treatment of alcohol abuse, and integrity problems in the Indian Health Service.

We have a number of reviews planned to try to find out how efficient we are in actually spending for AIDS research. This is in response to questions about the Department's AIDS research efforts. The AIDS program has been increasing almost in geometric progression for a number of years, and our experience has been that in any kind of a crash program where the Federal government is in a hurry to find a solution to a disasterous problem, program vulnerabilities emerge. We want to avoid having misconduct in the research process, where people are competing for dollars. We want to be sure we evaluate the effectiveness of the AIDS education program that was discussed earlier this morning, so we are doing an awful lot of work in that arena as well.

With that, Mr. Chairman, perhaps I should stop and respond to questions you and the Committee might have.

PHYSICIAN ATTESTATION

Mr. EARLY. I want to thank you, Mr. Kusserow. I think the job of Inspector General is a very sensitive and difficult job and I am impressed with the statistics: for each dollar spent, the savings and the statistics for convictions..

I want to discuss a specific problem. I think in this bureaucracy, especially with regard to health care where the costs are going out of sight and we are trying to come to grips with it by cutting Medicare and Medicaid, we have to do things to reduce the expenses of hospitals.

There is one thing I want to talk about specifically.

HCFA requires medical review for validation prior to submission of a Medicare claim by hospitals for reimbursements. As I understand it, this presently requires a physician acknowledgment, which is an annual hospital requirement and a physician attestation which is a per discharge physician requirement. Is that correct?

Mr. KUSSEROW. Attestation is a requirement whereby physicians attest to the accuracy of the informaiton in the medical records. There is an obligation on the part of physicians participating under Medicare Part A to attest and certify that the diagnosis they are making is true and accurate.

Mr. EARLY. Hospitals in my district are complaining and they blame the IG for that. I am not looking for anyone to blame for that.

Mr. KUSSEROW. I take full credit and blame for that.

Mr. EARLY. I am not trying to lock you into that position. There are just some things we have to reduce. The average physician acknowledgment must be retained on file and a separate attestation statement must be appended to each medical record. I know it is a protection for you.

Mr. KUSSEROW. It is not a protection for me. It is a protection for the beneficiary, for the trust fund and for the physician. Maybe I should stop a moment and explain why it affects the physician. At the beginning of the prospective payment system, we thought that hospitals might pressure doctors to make diagnoses in a way that would have a diagnostic code assigned to the case to provide higher reimbursement rates. We had the American Medical Association come in and explain why physicians would never be put under that kind of pressure. Hospitals said they would never do it, and the first thing we found was that they would.

Mr. EARLY. Are you suggesting physicians are in favor of this?

Mr. KUSSEROW. No, not in general, but certain physicians were. We found at the advent of the prospective payment system that there were many physicians immediately put under pressure by hospitals to show patient diagnoses that have a higher reimbursement rate. This is a violation of criminal law. Many physicians who were put under such pressure thanked us for doing it, but there are other physicians who don't like it.

Mr. EARLY. I have talked to many physicians—the best there are—and I have yet to meet one that didn't say it was inefficient, it was administratively cumbersome for the hospital and the physician, and that it was so costly. Doesn't the physician attestation only repeat the earlier acknowledgment?

REVISITING ATTESTATION

Mr. KUSSEROW. We have now had a solid five years of experience. I will be happy to revisit the issue. I know that at the outset of the program certification was sorely needed, and we had many cases where physicians had been pressured. Now we can look to see if we can make the paperwork less onerous. We have always had certification on payments.

Before Congress turned the payments system upside down from a retrospective system based on cost reports, the cost reports were in fact certified. We paid on a charge level. Under the prospective payment system, payment is tied to the primary and secondary diagnoses which caused the patient to be admitted to the hospital. The diagnosis is the basis for payment.

Therefore, it makes sense that attestation exists. In the first two years we had an awful lot of problems, and physicians would complain. We would go out and ask the hospital, "Are you pressuring this physician?" Then the hospital would back down. However, we found that what looked like a very significant problem for Medicare did not emerge. So I have not thought about it for a couple of years. But I will be glad to go back and look at the paperwork and see if we can make it less onerous. But as far as saying to the physicians they have no obligations, we are talking about a $58 billion program——

Mr. EARLY. I don't think anyone is saying they don't have the obligation. I appreciate your answer. But we have to cut out some paperwork. President Reagan came into office and said he was going to do that. The public wants that. I appreciate what you said, and when you implemented it five years ago, it was really necessary then. We add administrative responsibility and we don't ever address it again. If you will just revisit——

PROSECUTION REQUIREMENTS

Mr. KUSSEROW. I make that promise to you, Mr. Chairman. I will revisit the issue.

If we found a physician who was willfully conspiring with the hospital to falsely state the patient's diagnosis in order to increase the reimbursement rate—in other words, to commit a major fraud—we could not sustain a prosecution without physician attestation, because the law requires that they have formal notice. We would have to prove that the doctors knew that they had an obligation not to falsify the diagnosis. If we can't provide evidence of that in specific or general terms, we cannot sustain a prosecution. I will take a look and see if we can find a way to streamline the process to the point where it is less onerous on the physician but, at the same time, protects the taxpayers against isolated individuals. We are talking about a tiny percentage of the physician community which forgets its Hippocratic oath and get involved in criminal behavior.

Mr. EARLY. I agree with that, but this bureaucracy is put on every single one of them. All I want to do is ask you to revisit it.

Mr. KUSSEROW. I will do that. And after I have had a chance to revisit the matter, I will make an appointment to come and discuss the results with you. I don't want to cast aspersions on the medical community for the acts of a few, but at the same time, we are talking about literally hundreds of physicians we catch each year engaging in fraudulent and abusive practices of the Medicare program. It is always the tiny minority that creates the overwhelming problems for the majority. If there is a way in which we can reduce the amount of paperwork, while at the same time satisfying the Department of Justice that what remains would be sufficient to permit us to prosecute if there is a crime, then we will do it.

Mr. EARLY. Any time anyone violates the law, you can prosecute.

Mr. KUSSEROW. Only if we can show that they did in fact know the requirements and still engaged in a willfull act. The finding must be sustained by evidence that the physician knew.

Mr. EARLY. That is a lot of theory. We have practical problems in the health care delivery system, and I appreciate the statistics you have presented. I don't think we should be funding a budget against statistics. We get four convictions for every FTE. We have to be practical, too. Committee members go back to their district and the people say get health care costs down, and the hospitals come in and say stop saddling us with so much bureaucracy.

Mr. KUSSEROW. I am always in favor of reducing bureaucracy, and much of our effort in the Office of Inspector General is doing just that. At the same time, I would say we are able to demonstrate that fraud and abuse in our programs do, in fact, cost the taxpayers and the beneficiaries a lot of money. The only people who get money out of Medicare and Medicaid are providers. The beneficiaries get only the services. So we have a substantial program to police and to make sure that we do not have unsavory medical equipment suppliers, or hospital administrators, or physicians, or nursing home administrators who would, in fact, engage in fraudulent and abusive activities.

Mr. EARLY. If you have a rule, as you have here, that adds millions and millions of dollars of expenses, and tons of paperwork that never gets read, don't you think we have an obligation to the taxpayer there?

Mr. Kusserow. I have already made a promise to you. I will revisit the issue. At the same time, it is important to note that if we do not have some mechanism there, then we have given license to commit fraud.

Mr. Early. You are not giving a license to anyone.

Mr. Kusserow. It means we cannot sustain a prosecution even though there has been a crime. We had a long discussion with the Department of Justice on that.

Mr. Early. If you don't have these statements, you cannot prosecute a doctor that breaks the law?

Mr. Kusserow. That is absolutely correct. We have to establish that there was a specific intent, that they were on notice, and that they knew they were supplying a misstated primary or secondary diagnosis. Technically, only that constitutes a crime.

Mr. Early. Are you saying there is no other way than the attestation?

Mr. Kusserow. Only if they confessed to a crime. We have never before had a situation where the payment system was based on the diagnosis.

Mr. Early. Did we ever get convictions?

Mr. Kusserow. For this crime, no, because the crime did not exist.

Mr. Early. I yield to Mr. Natcher.

Mr. Natcher. No questions.

ORGANIZATIONAL CHANGES

Mr. Early. This is a perfect example of theory versus the practical, the real world.

Have you made any significant organizational or management changes in the past year in the Office of Inspector General?

Mr. Kusserow. No.

FY 1991 BUDGET REQUEST

Mr. Early. Your budget request for 1991 represents an increase of $1,012,000, or only a 1.1 percent increase over 1990. Does the request cover all your mandatory increases?

Mr. Kusserow. No, sir.

Mr. Early. What doesn't it cover?

Mr. Kusserow. It doesn't cover all of the pay raises, the increase in user charges, space rental, and a whole host of other built-in costs.

Mr. Early. As the Inspector General, is that being honest with the American taxpayer?

Mr. Kusserow. I am not pleased that we must continue to absorb inflation. But, at the same time, as Inspector General I think I have some obligation to be sure that I am a penny-pincher, not only for the Department's programs but for my own programs.

Mr. Early. Are there any reductions proposed in the budget request?

Mr. Kusserow. No, sir. However, in order to absorb mandatory pay raises, we have had to shift $1,570,000 from other areas.

Mr. Early. How would you characterize this budget request compared with last year's?

Mr. **Kusserow.** More conservative by far.

RESOURCE PLANNING

Mr. **Early.** On page 107, you say that you plan a "shifting of current resources" in 1991 rather than asking for additional staff. Tell us where you plan to shift resources from and where you plan to move them.

Mr. **Kusserow.** Let me go first to the latter part. We will be shifting a lot of resources, into the Medicare secondary payer area. We will also be doing more in evaluating and helping the program managers find ways to efficiently implement the Family Support Amendments of 1989.

In addition to that, we will be doing a lot more work in the Public Health Service area. We have been asked, last year for the first time and now again this year, to evaluate all grantees involved in AIDS education and AIDS research. We do a pre-award audit to be sure they are able to carry out their obligations before they get the money.

We did 57 audits last year, and this year we have been asked to do 100. As Congress appropriates more money for AIDS education efforts, we will have more work in that arena. There is going to be a lot of shifting necessary to allow us to meet these new mandates.

I have already gone over the fact that Congress has passed a lot of new laws to protect the beneficiaries of programs against providers who engage in abusive practices. That has forced a major shift of resources in that arena as well. As I mentioned, last year we had an increase of more than 81 percent in prosecutions in the health care area, and we don't foresee any let up in this workload.

Mr. **Early.** Provide for the record where all the staff are being shifted to and from.

[The information follows:]

Allocation of Resources

The Office of Inspector General (OIG) reviewed its allocation of resources dedicated to overseeing and reviewing the programs established by the Medicare Catastophic Coverage Act when it was repealed.

Staffing for these activities has been shifted to working on new, emerging areas of concern, for example, reviewing the Medicare secondary payer issue, overseeing the implementation of the Family Support Amendments, reviewing Public Health Service issues, and enforcing the many sanction authorities granted OIG in recent years.

1991 STAFFING

Mr. **Early.** Did you at some point in the budget process request additional staff in 1991 and were turned down?

Mr. **Kusserow.** Yes, the initial request was to bring us up to 1,492. The reason it was not sustained was that much of that request was built around work in the Medicare Catastrophic Coverage Act arena. It was a major new program, and we made commitments in that area—around 40 FTEs coming into 1991. In view of the fact that that program was repealed, we no longer need the resources. The balance is what we got.

1990 FUNDING REDUCTIONS

Mr. EARLY. In 1990, you incurred a Gramm-Rudman-Hollings sequester along with your share of a general salaries and expense reduction. In addition, you are absorbing the full amount of the January Federal pay raises. How are you accommodating these 1990 reductions, and what impact are they having?

Mr. KUSSEROW. The major impact it has had is that we have reduced certain expenses such as travel. Even though travel costs are going up, we are holding it at the 1990 level.

In addition to that, we have a lot of money that we use to contract for routine audit services and specialized services, such as physician utilization review teams and actuaries to do the audits of the financial statements of Social Security. So we will be cutting back in the contractor area in 1991. Most of the contract money is used to do the more routine work, leaving us to do the more complicated program work.

PAY RAISE COSTS

Mr. EARLY. What was the amount of the 1990 pay raise absorption?

Mr. KUSSEROW. The pay raise for 1990 cost us $1,750,000, including $1.5 million in base pay, $146,000 in benefits, and $68,000 in FERS. For the 1991 pay raise we are talking about $982,000, which includes benefits.

Mr. EARLY. I yield to Chairman Natcher.

Mr. NATCHER. No questions, Mr. Chairman.

OIG STAFFING LEVELS

Mr. EARLY. How many employees are currently onboard?

Mr. KUSSEROW. 1,412.

Mr. EARLY. How many are auditors and how many are investigators?

Mr. KUSSEROW. The Office of Audit Services has 767 onboard. The Office of Investigations has 460. The Office of Evaluation and Inspection, which is our evaluation arm, has 148, and the management of the Executive Office of the Inspector General has 40.

TRAINING

Mr. EARLY. What type of training do you provide your employees?

Mr. KUSSEROW. We have three different primary types of professionals. The auditors have a graduate accounting degree, and we provide them a baseline of two weeks training in Federal audit work as they come onboard. We also give them specialized courses, including computer courses and specialized audit courses. We have individual training plans for each auditor. Each auditor receives 80 hours of training every two years, in accordance with the Comptroller General's standards for auditors.

As for the investigators, when they are hired they are sent through the Federal Law Enforcement Training Center at Glynco, Georgia. All Federal criminal investigators go to this school, except for FBI agents, who go through their own academy. Investigators go through three months there, and then return later for training in specific types of fraud. Maintenance training is also scheduled periodically.

The evaluators go through a similar type of training—80 hours every two years for the professionals.

ADMINISTRATIVELY UNCONTROLLABLE OVERTIME

Mr. **Early**. Do you use administratively uncontrollable overtime?

Mr. **Kusserow**. Only for those employees in the 1811 criminal investigator series.

Mr. **Early**. Is that relatively new or has that always been that way?

Mr. **Kusserow**. Congress passed a law that made it avialable across the board for all criminal investigators in the Federal Government. Prior to that, each agency would establish its own AUO level, so it had not been standardized.

Mr. **Early**. Provide for the record what your office gets in uncontrollable overtime.

[The information follows:]

Administratively Uncontrollable Overtime

By the end of FY 1989 the Office of Investigations had 221 employees who worked 68,457 hours under the administratively uncontrollable overtime program. The program cost $885,741 for that year. If the same hours had worked as regular overtime i.e., time and a half of a grade 10 step 1, the same work would have cost $1,283,200. Thus the program sasvings were $397,480 for FY 1989. Of the 221 employees in the program, 163 worked at 15% of a grade 10 step 1 and 58 employees worked at 25%.

Our current level of employee participation in the program is 232 employees, 158 at 15% and 74 at 25% and our projected cost is $1,139,752 for FY 1990. The projection for FY 1991, which assumes the same level of participation, is $1,928,412. Our FY 1991 projection takes into account the new legislation and a projected pay raise equal to the 1990 pay raise. Thus the combination of the new legislation and the anticipated pay raise will mean an increase of $788,660 from the FY 1990 to FY 1991 and an overall increase of $1,042,671 from FY 1989 to FY 1991.

FIELD OFFICES

Mr. **Early**. How many field offices do you have?

Mr. **Kusserow**. We have approximately 60 field locations.

Mr. **Early**. How many of your 1,400-plus employees are out in the field?

Mr. **Kusserow**. About 75 percent.

SIZE OF OIG

Mr. **Early**. Is your staff the largest Inspector General's staff in the government with the exception of the Department of Defense?

Mr. **Kusserow**. Yes, sir.

PROFESSIONAL ATTESTATION

Mr. **Early**. I am sure you are careful, but do you analyze the cost of the staff, audits, and all the paperwork—all the things we ask the hospital physicians to do in terms of its cost to the health care system?

Mr. **Kusserow**. I will look at that before I come back to brief you. That will help me decide whether we should make some adjustments.

To be perfectly frank, I think the issue is not one of paperwork, but of a perceived insult. A lot of physicians are greatly insulted at the notion that someone would ask them, as a physician who ascribes to the Hippocratic oath, to sign a document that attests and certifies that what they are doing is true and honest. I think it is less an issue of cost than it is of an insult to a professional physician.

Mr. EARLY. I think it is offensive.

Mr. KUSSEROW. I think they find it so, although every single employee of the United States Government fills out the same forms.

Mr. EARLY. Should we ask each inspector to fill out a form?

Mr. KUSSEROW. They are held to that. Any document submitted by anybody in the Office of Inspector General is under the protection of the same thing. Any materially false statement provided to the Office of the IG is punishable by five years in prison and a fine of $10,000.

Mr. EARLY. Do you need a statement?

Mr. KUSSEROW. Every employee signs such a statement.

Mr. EARLY. If your investigator interviews 21 different people, does he make out a statement for each one of them?

Mr. KUSSEROW. It is in his training, policies and procedures handbook, and the notice to do so is given to him on a regular basis.

Mr. EARLY. Does he make out a specific statement with regard to each of those 21 interviews—that he has vindicated them and that they did not do anything?

Mr. KUSSEROW. I know what you are driving at, Mr. Chairman, but go back to the fact that the issue is not the paperwork. That is not as onerous as has been suggested here. The issue is more the insult. I don't know how to get at that point except to tell you what we experienced in the initial two years of the prospective payment system. Many physicians came forward and said that the document they had to fill out gave them a lot of ability to resist pressure by hospitals. I think it is safe to say that this issue has educated the hospital community to the point where they are not pressuring the physicians. I will do what I can to examine how onerous the paperwork burden is and to what extent it can be removed without taking away the one control point we have for payment of $58 billion in Part A funds. Hospital payments are based on diagnoses attested to by physicians. But I will do what I can to reduce costs.

SENIOR EXECUTIVE SERVICE

Mr. EARLY. For the record, tell us how many SES positions you have and provide a list of your Senior Executive Service (SES) positions by job title and grade series.

[The information follows:]

OFFICE OF INSPECTOR GENERAL SES EMPLOYEES

The Office of Inspector General (OIG) currently has 13 SES positions with one more proposed for FY 1990. All of these positions are career civil service. The following represents the OIG's SES positions and the rank at which they are presently occupied.

Position	*Rank*
Principal Deputy Inspector General	ES-5
Deputy Inspector General for Investigations and Enforcement	ES-4
Deputy Inspector General for Evaluation and Inspections	ES-4
Deputy Inspector General for Audit Services	ES-3
AIG-Analysis and Inspections	ES-3
AIG-Human, Family and Departmental Service Audits	ES-3
AIG-Health Care Financing Audits	ES-3
AIG-Civil and Administrative Remedies	ES-3
AIG-Social Security Audits	ES-2
AIG-Public Health Service Audits	ES-2
AIG-Criminal Investigations	ES-2
AIG-Audit and Policy and Oversight	ES-2
AIG-Investigations Policy and Oversight	ES-1

Bonuses were awarded to five of the SES employees at an average of $6,500 each. In addition, one employee received an executive rank award for $10,000. Bonuses are based on performance.

Mr. EARLY. Tell us for the record, are they all career positions; how many received bonuses last year, what was the typical bonus amount and how are these bonuses decided upon.

Mr. KUSSEROW. I would add one point. We are a 100 percent civil service organization, and we are all under the Hatch Act. I am not a political appointee.

FY 1990 FTES

Mr. EARLY. In 1990, Congress provided an additional 42 FTEs over your budget request. Will you be able to utilize all of these in 1990 and, if so, how will they be utilized?

Mr. KUSSEROW. Yes. In fact, you will notice we have a footnote in our budget submission that basically is our contract with the Congress. We are expected to produce an extra $147 million in savings with the additional resources which Congress provided to us in fiscal year 1990.

Mr. EARLY. For the record, provide a chart showing total employment for your office for the past five years.

Mr. KUSSEROW. I will.

[The information follows:]

OFFICE OF INSPECTOR GENERAL TOTAL FTE USAGE

The following chart indicates our employment ceilings levels for the past five years:

Fiscal Year:	
1986	1,223
1987	1,220
1988	1,243
1989	1,358
1990 (Projected)	1,415

Mr. EARLY. Also provide a chart showing the 1989 to 1991 breakdown of your budget and staff by major activity, such as audit, investigation, etc.

Mr. KUSSEROW. I will.

[The information follows:]

OFFICE OF INSPECTOR GENERAL DISTRIBUTION OF RESOURCES BY COMPONENT

[Dollars in thousands]

	Fiscal year 1989		Projected fiscal year 1990		Projected fiscal year 1991	
	Amount	FTE	Amount	FTE	Amount	FTE
Office of Audit Services	$48,440	714	$52,411	767	$53,176	767
Office of Investigations	29,443	441	30,986	460	31,445	460
Office of Evaluation and Inspections	9,671	136	10,138	148	10,286	148
Office of Executive Management	2,040	38	2,476	40	2,516	40
Total	89,594	1,329	96,011	1,415	97,423	1,415

UNIVERSITY RESEARCH COSTS

Mr. EARLY. Last year at this time you submitted a report at the Committee's request concerning the cost of research at colleges and universities. Are you continuing efforts in this area?

Mr. KUSSEROW. Yes.

Mr. EARLY. Where are you?

Mr. KUSSEROW. We are looking at the allocated overhead costs of research, and we are doing a comparison of the cost of intramural research at NIH with that of universities. Then we are looking at what we are getting for the money—the return on investment. We spend more money on overhead allocated to research than we spend for heart or AIDS research at the universities. So we want to know what the overhead is contributing to the research effort. Can we expect, for example, that universities receiving overhead money would ensure that their research is conducted in such a fashion that it is not misleading?

I am really talking about ethics in research and science. We in the Office of Inspector General believe that when you give money to a university for a research effort, the university which performs that effort has an obligation to ensure that the work is done, and that it is done in the way that the university said it would be when it got the grant. That is the thrust of what we are investigating.

Mr. EARLY. These are just so hard to review. I would think that is a very, very tough thing to audit.

Mr. KUSSEROW. I agree with you 100 percent. It is extremely difficult.

FLORIDA DEMONSTRATION PROJECT

Mr. EARLY. What further significant findings have you made with regard to that, if any?

Mr. KUSSEROW. The effort underway now is really a new effort to move in the direction of looking at the component parts of the indirect costs associated with research. We will see if we can examine each one.

As part of this effort, we are evaluating the Florida Demonstration Project. That was something we worked on with NIH. It goes back to what I think is a favorite theme of yours, namely, is there a way to reduce the petty bureaucracy and paperwork without running the risk that stewardship over Federal money will not be properly exercised.

In the Florida Demonstration Project which is now operating nationally, much of the routine paperwork and justifications and the quarterly expenditure and progress reports have been eliminated.

We want to evaluate whether that system is working, whether the trust that we place in the universities is justified. Are they, in fact, now accounting for the money internally and do we, therefore, not need to depend upon them to submit one piece of paper after another to some bureaucracy at NIH, which may or may not act on it?

Hopefully, our review will show that placing greater trust in the universities, while at the same time holding them accountable for that trust, can be a model for the rest of the research community.

Mr. EARLY. What happens in the process? We have a standard battle going on within the research community over whether there should be three-, five- or seven-year grants.

In theory, you can get three-year grants. We want to audit and find out where the taxpayers money is, but what happens in the real world is they spend one-third of the three years preparing for their next grant.

Mr. KUSSEROW. That is what the Florida Demonstration Project is trying to eliminate. If we can reduce that kind of paperwork in the grants process, we might be able to reduce the time spent on renewals.

Mr. EARLY. Is the project completed?

Mr. KUSSEROW. Yes, we have already gone through the first phase. The demonstration project is being expanded nationally now. It addresses precisely the point you made, and that is, so much paperwork and so much of the money that is awarded is spent preparing the justification for the next research grant. The reality is that our audit staff looked at NIH and found this mass of paperwork coming in.

We have Federal responsibility for 2,800 colleges and universities. But the majority of funding goes to 200 major schools that account for most of the hi-tech and biomedical research in the United States. If we can't find a way that we can respond to their concerns, then all of their paperwork is counter-productive to their research efforts. If they could spend less time on the grants process, perhaps they could get better research results. It makes a good argument. When we audited NIH and saw all of the paperwork coming in, it was clear that they were unable to process all of it. We now want to see if we can eliminate some of that paperwork, and whether that would result in more dollars going to direct research.

Mr. EARLY. How many schools were involved in the Florida Demonstration Project—or was it one institution?

Mr. KUSSEROW. There were several. I can give you a list of all of the schools and what our interim evaluations have determined.

[The information follows:]

FLORIDA DEMONSTRATION PROJECT—COLLEGES AND UNIVERSITIES WHERE FLORIDA DEMONSTRATION PROJECT (FDP) WAS CONDUCTED

- State University System of Florida (nine campuses)
    - Florida A & M University, Tallahassee
    - Florida State University, Tallahassee

Florida Atlantic University, Boca Raton
Florida International University, Miami
University of Central Florida, Orlando
University of Florida, Gainesville
University of N Florida, Jacksonville
University of West Florida, Pensacola
University of South Florida, Tampa
The University of Miami

RESULTS OF EVALUATIONS CONDUCTED OF THE FDP

There were two formal evaluations of the FDP:

One evaluation involved two total business systems reviews conducted at Florida State University and the University of Miami. The review team included members from the Office of Naval Research (ONR), the National Institutes of Health (NIH) and the HHS-OIG. The reviews were conducted under the leadership of ONR. The reviews found that for those areas reviewed, the administrative and financial systems were sound and that the features of FDP did not threaten the internal control of grant funds.

A second evaluation was performed by the Government-university-Industry Research Roundtable. This group surveyed both administrators and investigators as a pre-test and post-test measurement of the effectiveness of FDP. The results of the survey were mixed. For example, it found some elements of FDP well received, such as the elimination of most Federal prior approval requirements. At the same time, the group reported that other aspects of FDP required additional attention. They noted that there was a need for more investigators to declare research projects to be closely related. This declaration is required to take advantage of certain of the experimental changes of the FDP. Also requiring more attention, according to the roundtable, was the need to address administrative requirements of the State which go beyond those of the Federal government and also prove to be burdensome.

We would note also that the HHS-OIG has expressed its concern to the Chairman of the Interagency Assessment Committee of the FDP, regarding the absence of quantitative evaluation data for certain aspects of the FDP. For example, we cited the need to identify key performance indicators to be used for a quality assurance program by which the performance and success of the project might be gauged. We have also made recommendations related to the need to clarify and expand upon certain aspects of the current Federal Demonstration Project which is a follow-on and expansion of the Florida Project. We are currently monitoring implementation of the Federal Demonstration Project which now includes 22 institutions.

AUDITING OF COLLEGES AND UNIVERSITIES

Mr. EARLY. When we talk about that process, will it ever be completed or will this be an ongoing thing?

Mr. KUSSEROW. As long as we are assigned the audit responsibility for these universities, we will have to have an ongoing presence. I think the nature of this presence can change, and has changed considerably. We now have to focus more on constraining universities. When they contract with private CPA firms, they could have these firms cover certain areas of Federal interest in their financial statements. There would be less need to have Federal auditors go in there. That is the strategy we have employed over the past nine years.

Over the last three or four years, as Inspector General, I reduced the size of our audit staff involved in university audits and redirected them to the Social Security Administration and to the medical care programs where, in my judgment, we had been woefully neglectful. But I think we went too far in walking away from our university obligations, and we want to get back to where we have auditors on campus. The key is to, number one, look at the type of demonstration project, and the cost of the grants process to the universities. Then the second thing is to look at the overhead portion of the grant. I think we could have adequate policing for these research efforts and, at the same time, not make it onerous to the universities.

SAVINGS BY PROGRAM

Mr. **Early**. In your opening statement, you talked about an amount of $5,689,000,000 in savings and recoveries achieved by your office in the year 1989. How does this amount break down by major program area?

Mr. **Kusserow**. Most of it is in the Health Care Financing Administration arena.

As you know, Mr. Chairman, we are nonpolitical. It is not for us to say, "Raise taxes, lower taxes, increase expenses or decrease benefits." We have plenty of policy-makers. Our job is to look at what is actually happening and say," Is there a way in which we can operate this program with greater efficiency, economy and effectiveness and, if so, what are the options available?" Then we submit reports to the policy-makers, and they can act on them as they see fit.

A very substantial portion of the savings number that you quoted really came from reports that were incorporated in the decision-making process of the Congress in 1989.

If you would like, Mr. Chairman, I can leave you a schedule of those recommendations and the supporting documents that go into that process.

[The information follows:]

OBRA 1989 SAVINGS BASED ON OIG RECOMMENDATIONS
(in millions)

MEDICARE	
Reduction in Capital Costs for Inpatient Services ACN: 14-52083; ACN: 09-52032; ACN: 09-52002; ACN: 09-52020	$580
Reductions in Certain Overpriced Procedure (Cataract and CABG only) OAI-02-89-00050; CIN: A-0788-00080	$940
Reductions in Payments for Anesthesia Services OAI-02-89-00050; CIN: A-07-88-00080	$245
Reduction in Capital Payments for Outpatient Hospital Services ACN: 14-52083; ACN: 09-52032; ACN: 09-52002; ACN: 09-52020	$23
Clinical Diagnostic Lab Tests OAI-02-89-01910	$770
DME OAI-02-88-00100; CIN: A-05-87-0013; OAI-02-88-00060 OAI-04-87-00017; CIN: A-04-87-02000	$690
MSP CIN: A-10-86-62016; CIN: A-09-89-00100	$2,315
Payment for ESRD Services CIN: A-09-87-00108	$540
Extend Part B Premium MAR 6/85	$2,355
TOTAL savings based on OIG recommendations	$8,458
GRAND TOTAL OBRA 1989 MEDICARE SAVINGS	$10,241
OIG PERCENTAGE OF OBRA SAVINGS	83%
SOCIAL SECURITY	
Acceleration of Deposits (OIG est.) (Revenue Enhancement Section of OBRA) CIN: A-09-89-00075	$15,000

Mr. **Early**. How do you go about computing a figure like this?

Mr. **Kusserow**. There are four ways it is done. First, it might be an audit disallowance taken in the Medicare program because someone charged a health program against the Medicaid program and kept money that really should have gone to vocational rehabilitation programs. Say you come up with a disallowance of $10,000,000 there. If that is sustained by management, it is counted as accounts receivable. The decision as to how much goes to accounts receivable is determined by management when they sign off on the document.

The second area is where we can effect a program change. For example, if we find there is an abuse in the Medicare program, say in the provision of seat lift chairs, and we find a weakness in the program as it applies to one carrier, then we can convince the HCFA program people to define procedures addressing what that one carrier did, and apply the same procedures across the board. As a result, the program may save $2,000,000. We use the savings estimate of the program people—what they believe the savings actually come out to be.

The third area is where we make recommendations for a regulatory change that would result in savings. When the proposed change goes to the Federal Register, the notice specifies what the savings will be. We will use that number, not our own number. It is a neutral number supplied by someone else.

Finally, if we make a recommendation that requires legislative correction and it is picked up by the President in his budget or by the Congress, there is legislative correction. Then we will accept the CBO number as the savings amount. So in every case we always use somebody else's number. It is not that we think our own number is better, but using the estimate of someone not under our control has greater credibility.

Mr. **Early**. We have several other questions which we will include in the record. We appreciate your testimony.

Mr. **Kusserow**. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record and the justifications follow:]

AIDS RESEARCH

Mr. Natcher: What work are you doing in the area of AIDS research and prevention funding?

Mr. Kusserow: In Fiscal Year (FY) 1990, we plan several audit initiatives for the Public Health Service (PHS) which relate directly to evaluations of AIDS research and prevention funding. These initiatives will address the following: (1) Federal funding for the drug Azidothymidine (AZT) for treatment of AIDS patients; (2) the possible overlapping of AIDS programs and functions within PHS; (3) discrimination against AIDS victims; and (4) HIV prevention and education.

In addition, several other audit initiatives will indirectly address AIDS research and prevention funding. During FY 1991, we have planned additional audit reviews in the AIDS area, including evaluations of the following: (1) the cost of health care for AIDS patients; (2) services to AIDS patients; (3) effective AIDS treatment techniques; and (4) the uses of HIV-AIDS funding, to name a few.

We are conducting a study to determine how the Department can respond most effectively to the problem of HIV infection among street youth. The study is looking at the scope and nature of the problem among these young people, relevant research regarding the target population, and is identifying lessons learned and best practices at the service delivery level. We are also assessing the Department's current response to the problem.

DRUG ABUSE FUNDING

Mr. Natcher: Are you planning to do any further work in the area of drug abuse funding, which has received very large increases in recent years?

Mr. Kusserow: We have several audits and reviews scheduled for FY 1990/91 relating to drug and substance abuse evaluations. Three audits, currently scheduled to begin during FY 1990, include a review of the National Institute of Drug Abuse (NIDA) to determine whether NIDA resources are being adequately targeted to drug abuse research on treatment and prevention. A second audit of the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA) will determine whether ADAMHA maintains a current inventory of the effectiveness and quality of the many drug treatment and prevention programs it sponsors. The third audit will assess the cost and effectiveness of the various substance abuse educational programs provided by ADAMHA.

Additionally, during FY 1991, we plan to survey the cost of alcohol/drug abuse treatment and prevention programs established under the Anti-Drug Abuse Acts as well as evaluate the effectiveness of ADAMHA's treatment outreach efforts in reducing drug dependency.

AUDIT CONTRACTS

Mr. Natcher: How many audit contracts do you presently have in force?

Mr. Kusserow: The number of contracts either in force or in the process of being awarded currently totals about 130.

Mr. Natcher: Provide a list of those for the record showing the amount of each and the subject matter.

Mr. Kusserow: The requested list follows:

REGIONAL TASK ORDER AUDITS

1989

Audit Purpose	Contract Amount
Review of New Hampshire Foundation for Medical Review (PRO) — Region I	$17,132
Desk reviews of non-Federal audit reports — Region I	35,250
Quality Control Reviews (QCR) of working papers — Region I	26,838
Review of Refugee Resettlement Program administrative costs claimed by New York State Dept. of Social Services (10/4/84-9/30/87) — Region II	55,623
Albert Einstein College of Medicine, fringe benefits rate proposal — Region II	23,749
Review Pennsylvania Blue Shield's Medicare carriers cost proposal for fiscal years 1986 and 1987 -- Region III	43,108
Provide no more than 10 pre-award and/or closeout audit services — Region III	30,270
Review Independence Blue Cross's Medicare carriers cost proposals for fiscal years 1985 and 1986 -- Region III	62,425
Self-Insurance Fund survey (Maryland) — Region III	9,894
Self-Insurance Fund survey (Virginia) — Region III	9,393
Capital Leases survey (Virginia) — Region III	11,211
Capital Leases survey (West Virginia) — Region III	13,019
Capital Leases survey (Delaware) — Region III	11,026
Capital Leases survey (District of Columbia) — Region III	9,383
Evaluation of cost proposals. QCRs of audit working papers prepared by CPAs on HHS grantees — Region IV	21,756

Audit Purpose	Contract Amount
Follow-up reviews on 5 audits: North Carolina Div. of Human Resources (Medicaid program); Florida Dept. of Health and Rehab. Services (Disability Determination Service, Medicaid program, and Cuban/Haitian Entrant Impact Aid); Kentucky Dept.of Insurance (Self-Insurance Fund) — Region IV	$48,089
Audit of costs claimed under Superfund awards made to Georgia and California — Region IV	43,467
Review Research Triangle Institute's indirect cost rate proposal for fiscal year 1987 — Region IV	65,385
Pre-award audits and QCRs (20) — Region IV	72,920
Desk reviews of 650 non-Federal audit reports — Region IV	71,460
Audit survey at University of Florida (cost of research at colleges/universities) — Region IV	43,480
Audit survey at Auburn University (cost of research at colleges/universities) — Region IV	32,336
Audit survey at University of South Florida (cost of research at colleges/universities) — Region IV	41,908
Superfund work at 3 locations NIEHS (reimb.) — Region IV	117,074
Disability Determination Service (Alabama) — Region IV	57,278
Disability Determination Service (Georgia) — Region IV	43,665
Disability Determination Service (Kentucky) — Region IV	72,514
Audit of internal service funds operated by State and local government entities in Illinois — Region V	20,960
Audit of internal service funds operated by State and local government entities in Michigan — Region V	16,132
Review subcontractor costs set aside by prior audits at Michigan Blue Cross/Blue Shield. Survey accounting system and prepare audit guide for review of allocated subsidiary/subcontractor costs — Region V	43,093
Contract closeout audits at Mavo Foundation — Region V	25,870
Evaluate audit working papers supporting reports issued by CPAs — Region VI	48,547
Desk reviews of 150 non-Federal reports — Region VI	41,389
Disability Determination Service (Louisiana) — Region VI	36,596
Disability Determination Service (Oklahoma) — Region VI	39,703

Audit Purpose	Contract Amount
QCRs (20) of working papers supporting reports issued by CPAs on HHS grantees — Region VII	$32,880
Audits of Internal Service Funds operated by 5 counties in Colorado — Region VII	43,670
Evaluate computer operations, controls, procurement activities, billings, collections, and cost allocation procedures of Wayne Miner Health Center (Kansas City, MO) — Region VII	20,180
Determine compliance of Swope Parkway Comprehensive and Mental Health Center (Kansas City, MO) with guidelines and regulations. Review cost allocation procedures and reasonableness of charges — Region VII	8,308
Disability Determination Service (Montana) — Region VII	34,155
Disability Determination Service (Nebraska) — Region VII	30,605
Survey to determine whether San Diego County claimed lease interest costs in accordance with OMB A-87, estimated Federal effect of non-compliance, and estimated staff time to determine Federal effect over 5-year period — Region IX	7,459
Survey to determine whether the San Francisco City and County comply with OMB A-87 in providing applicable credits in conjunction with self-insurance charges to the Federal government — Region IX	6,390
Survey to determine whether Los Angeles County is claiming self-insurance costs in a manner equitable to the Federal government — Region IX	9,293
Desk reviews of audit reports submitted by non-Federal auditors — Region IX	139,679
Pre-award review of Health Advisory Services Group (PRO, Phoenix, AZ) — Region IX	15,562
Audit of NIMBUS, Inc. (Rancho Cordova, CA), including indirect cost rates as requested by NIH — Region IX	24,463
Audit survey at Charles Drew Postgraduate Medical School, Los Angeles (cost of research at colleges/universities) — Region IX	39,578
Audit survey at University of Arizona, Tucson (cost of research at colleges/universities) — Region IX	54,617
Audit survey at University of California, San Diego (cost of research at colleges/universities) — Region IX	51,679
Audit survey at University of California, San Francisco (cost of research at colleges/universities) — Region IX	57,540

Audit Purpose	Contract Amount
Disability Determination Service (Arizona) — Region IX	$51,468
Review of selected government agencies to determine adequacy of procedures for processing garnished orders for child support payments	77,937
Cash management audits of OCSE Child Support Collection Depositories in Georgia, Louisiana, Massachusetts, New York, Ohio, Pennsylvania, Puerto Rico, Colorado, Missouri, Nevada, Oklahoma and Wisconsin	360,735
QCRs of Boston, Dallas and San Francisco Regional Offices. Prepare internal and external QCR guides.	71,900
Audit of North Carolina MFCU for OI — Region IV	13,489
Audit of Utah MFCU for OI — Region VII	5,553
TOTAL 1989	$2,519,087
1990	
Desk reviews of 700 non-Federal audit reports — Region IV	$86,445
Cost proposals and QCRs of non-Federal audit reports — Region IV	94,500
QCRs of non-Federal audit reports — Region V	40,500
Desk reviews of non-Federal audit reports — Region VI	40,507
QCRs of non-Federal audit reports — Region VI	47,590
Cost proposals and closeout audit services - Region VII	41,580
QCRs of non-Federal audit reports — Region VII	56,340
Determine extent to which Utah failed to establish and seek reimbursement from liable third parties for Medicaid payments made to Utah State Training School for fiscal years 1987 - 1989 — Region VII	31,000
Review of Internal Service Funds operated by 5 counties in Colorado — Region VII	60,000
Closeout audit of Metro Health Center (St. Louis, MO) — Region VII	30,000
Closeout audit of Union-Sarah Economic Development Corp. (St. Louis, MO) — Region VII	28,000
Desk reviews of 500 non-Federal audit reports — Region IX	135,750
Capital lease costs (Kentucky) — Region IV	12,021

Audit Purpose	Contract Amount
Capital lease costs (Florida) — Region IV	$11,693
Capital lease costs (Alabama) — Region IV	11,132
Self-Insurance Fund (Alabama) — Region IV	36,245
Self-Insurance Fund (Georgia) — Region IV	27,955
Self-Insurance Fund (North Carolina) — Region IV	37,673
Pre-awards, QCRs and QAs (15) — Region IV	27,195
Review of Southwest Health Agency for Rural People, Inc. QCR of working papers prepared by Dozier, Harville & Hughley — Region IV	17,193
Closeout audit of 2 contracts awarded to American Indian Technical Services, Inc.	41,250
Quick assessment surveys on potential CDC community-based grantees	27,592
Audit of Kentucky MFCU for OI — Region IV	8,000
Audit of Colorado MFCU for OI — Region VII	11,932
Audit of Delaware MFCU for OI — Region III	10,708
TOTAL 1990	$972,801

OTHER PROCUREMENTS

1989

Forensic Medical:	
Benton Carthage — Medicaid IMDs	$17,994
Danville Hospital — Medicaid IMDs	31,297
Benson Heights — Medicaid IMDs	20,190
South Mountain — Medicaid IMDs	101,812
Adjustments and Modifications to Prior Period Awards	
South Carolina Blue Cross/Blue Shield	10,040
Kentucky and North Carolina Blue Cross/Blue Shield	12,600
BCA Assoc. Ins.	28,640
Texas and Arkansas Blue Cross/Blue Shield	5,745
Mutual of Omaha	37,195
Pension Costs	46,280
Catastrophic Project	
Systems Research Applications	134,360

Audit Purpose	Contract Amount
Social Security Administration	
Capacity Management	$99,573
Systems Management Plan:	
Software Eng. and Documentation Standards	94,878
Centralized Computer Strategy and Alternatives	115,366
Independent Actuary	16,666
Stat Sampling	
Alan Kvanli	25,000
Other	
Cotton & Co. — OGC appeal assistance	14,984
TOTAL 1989	$812,620
1990	
Forensic Medical	
Ohio	$25,189
Minnesota	25,525
Adjustments and Modifications to Prior Period Awards	
Cotton & Co.	1,449
Cotton & Co.	35,762
Systems Research Applications	
HCFA Common Working File	299,920
Medicare Overpayments — MSP	10,000
Social Security Administration	
Independent Actuary	20,000
Stat Sampling	
Alan Kvanli	9,800
TOTAL 1990	$427,645

AUDIT REPORTS

Mr. Natcher: Also for the record, provide a list of the 20 or so audit reports for fiscal 1989 that you consider most significant, along with the major recommendations contained in each one.

Mr. Kusserow: The list of audit reports and recommendations for each report follows:

1. Medicare As Secondary Payer (A-09-89-00100) - The Health Care Financing Administration (HCFA) should make the necessary procedural changes and seek legislative changes to assist in identifying beneficiaries covered under an employer group health plan.

2. One Day Hospital Stays (A-05-89-00055) - HCFA should seek legislation to pay for inpatient services not requiring an overnight stay as outpatient services, or propose a legislative change to pay for these services at the lesser of actual charges or the Diagnosis Related Group (DRG) amount.

3. Dialysis Reimbursement Rates (A-01-87-00500) - HCFA should develop separate dialysis rates for independent facilities and hospital facilities that provide dialysis services.

4. Payment For Anesthesia Services (A-07-89-00193) - HCFA should change regulations that require that fractional time units of anesthesiologists be rounded up to the next whole time unit for Medicare payment purposes. Payment should only be made for efforts expended.

5. Medicare Coverage of State And Local Employees (A-09-88-00072) - HCFA should seek legislation for mandatory coverage of all currently exempt State and local workers. As an alternative, legislation could be enacted to make Medicare the secondary payer for retirees from exempt government agencies.

6. Physicians' Services in Outpatient Settings (A-07-86-62041) - Physicians' services of the type routinely furnished in physicians' offices, which are furnished in outpatient hospital settings, are limited to 60 percent of the prevailing charge by non-specialists in office practice. The OIG found a wide variance among carriers in the types and numbers of procedures they subjected to the limitation, and recommended that HCFA assure that carriers are consistently applying limitation to all physician's services in outpatient settings.

7. Dually Eligible Veterans (A-04-88-02049) - An OIG review disclosed that Medicare paid millions for cardiac surgical services that were the financial responsibility of the Department of Veterans Affairs (VA). The OIG recommended that the Medicare contractors recover the inappropriate payments made for services to veterans who were the financial responsibility of the VA and instruct Medicare providers not to bill Medicare for services authorized by the VA.

8. Systems Software Review (A-13-88-00011) - The Social Security Administration (SSA) should take action to correct significant internal control weaknesses that place SSA's operating systems and all applications running through them at risk. In addition, SSA should report these weaknesses as material weaknesses in accordance with the Federal Managers' Financial Integrity Act (FMFIA).

9. Critical Payment System (A-13-02658) - SSA should strengthen controls in the system used to expedite payments to Social Security beneficiaries in critical need situations by strengthening computer terminal access controls; verifying the name and Social Security number of beneficiaries prior to payment, and transmitting payment information over wire directly to the Treasury Department.

10. Payroll Tax Deposits (A-09-89-00075) - SSA should accelerate the deposit of payroll taxes of large employers to one banking day after disbursement of wages, instead of the three to eleven days such employers now have to deposit such taxes. Savings estimated at about $15.5 billion over a 5-year period.

11. Accounting for Penalties and Interest on FICA Taxes (A-13-86-62640) - To preclude the potential loss of hundreds of millions of dollars annually, SSA should work with the Internal Revenue Service (IRS) to investigate and resolve an imbalance which appears to have developed between the value of penalties and interest retained by IRS and the amount of receipts accruing to the trust funds.

12. Unnegotiated Checks (A-04-87-03004) - SSA should work with Treasury officials to resolve identified discrepancies and to obtain appropriate adjustment to the trust funds, including principal and interest, for any missing unnegotiated checks.

13. ZIP Code Software (A-13-87-02656) - SSA should acquire ZIP Code software to verify and correct address records and attach carrier route and ZIP+4 codes to the address field. SSA should also integrate software with the modernized claims processing edit routines, evaluate the feasibility of using optical character readers and channel sorters with the software, and consolidate computer generated mail to ensure maximum postal service presort discounts.

14. Debt Management System (A-13-89-00010) - To assure that software changes were adequate and completed correctly, SSA should improve controls over the validation process for future software releases and reevaluate future deadlines for debt management system changes.

15. Cash Management Practices of Institutions Participating in Student Loan Programs (A-05-87-00061) - PHS needs to implement corrective actions to assure that educational institutions properly invest idle program funds and credit the income earned to the loan accounts; periodically identify excess funds and promptly return to the Federal government its share; and routinely assess the collectibility of delinquent loans and repay the fund

for uncollectible loans if the prescribed collection procedures were not followed.

16. NIH Procurement (A-15-89-00036) - The National Institutes of Health (NIH) needs to correct procurement deficiencies in order to allow it to obtain all possible vendor discounts, and design a system to take full advantage of its purchasing power to achieve greater economies and efficiencies in the purchasing of small dollar items.

17. Generic Drug Approval Process (A-15-89-00036) - The Food and Drug Administration (FDA) needs to take action to improve internal controls in the generic drug application review process in order to guarantee the integrity of the process and lessen the susceptibility of the process to manipulation and preferential treatment.

18. Child Support Enforcement: Wage Withholding (A-12-89-00127) - The results of a statistical match of Federal employee data from the Office of Personnel Management (OPM), the U.S. Postal Service, and the Department of Defense with Child Support Enforcement tax intercept data indicated that 70,000 Federal employees were in arrears on child support payments totaling about $270 million. The Family Support Administration (FSA) should take the lead to make the computer matches available to the States, encouraging States to make greater efforts to fully utilize State and Federal parent locator services, and implement immediate wage supporting for child support.

19. The Federal Managers' Financial Integrity Act (A-12-88-00106) - The OIG took a look at 482 internal control reviews made by components of the Department and found most to be acceptable. Recommendations call for Departmental components to develop and implement action plans to correct the material internal control weaknesses and nonconformances identified by the OIG and others.

20. Payment Management System (A-12-87-02663) - Recommendations call for strengthening internal controls in general operating procedures and electronic data processing procedures within the Office of the Assistant Secretary for Management and Budget.

AUDIT REPORTS

Mr. Natcher: How do you monitor the agencies to see if they are implementing your recommendations?

Mr. Kusserow: The Office of Audit Services is the central point within the Department where information regarding audit resolution is maintained. The audit resolution process begins when the results of an audit are reported to management, and is completed only after action has been taken that corrects identified deficiencies, produces improvements, or demonstrates that the audit findings and recommendations are either invalid or do not warrant management actions. We monitor the overall audit resolution performance of the Department by:

- Maintaining a Departmentwide management information system which tracks all audit findings until final decisions are made on the amount of funds to be recovered and the actions to be taken by recipient organizations to correct deficiencies.

- Evaluating Audit Clearance Documents and obtaining General Counsel review of resolutions which appear inappropriate.
- Performing follow-up audits on selected audit reports to determine if recipient organizations have implemented corrective measures and if Action officials have secured needed improvements.
- Obtaining and reviewing reports on the resolution status of certain significant audit reports.

Mr. Natcher: How many audit reports did you issue in 1988 and 1989?

Mr. Kusserow: The OIG issued a total of 4,096 audit reports in FY 1988, and a total of 4,221 audit reports in FY 1989.

FOSTER CARE

Mr. Natcher: What activities do you have underway or planned in the Title IV-E Foster Care Program?

Mr. Kusserow: Currently, we have several reviews underway which address various issues in Title IV-E Foster Care. We have ongoing reviews in the areas of administrative costs and eligibility of maintenance payments for Federal funds. Additionally, we have planned reviews to examine the areas of training, the use of time studies to allocate cost to the program, contract services, and child care institutions. The overall objectives of these reviews are to determine whether claims for Federal funds are limited to costs of authorized services to eligible children by qualified providers.

We are in the midst of a nationwide study of escalating Foster Care administrative costs and its causes. In addition, we are reviewing the claiming Title IV-E Foster Care administrative costs in the State of New York and the District of Columbia. In New York, we are evaluating the impact of ineligible children on the Foster Care program administrative costs. In the District of Columbia, we are assessing the appropriateness of the allocation basis used, as well as the distribution of allowable costs between the Federal program and the District's own program.

We also have several assignments underway or recently completed in the area of eligibility. Our reviews have identified over $100 million in maintenance payments on behalf of ineligible children. Reviews are underway in New York, Texas, Ohio, and the District of Columbia, and have recently been completed in Iowa, Virginia, Minnesota, Michigan, Illinois, and California.

In addition, the following national inspections are now being conducted:

1. Termination of Parental Rights - This study is reviewing legislative activities, administrative and judicial processes involving the termination of parental rights. The review will identify barriers and best practices.

2. Foster Care Group Homes - This review will describe and analyze trends in foster care group home placements over the past five years. The inspection will also describe the range and nature of services available to children in group home placements and identify best practices.

3. Prenatal Drug Exposure and State Child Abuse and Neglect Laws - This review will provide an in-depth analysis of State laws relating to the reporting and investigating of cases involving prenatal exposure to drugs.

Our FY 1990/1991 workplan includes two projects that will start in the near future:

1. Kinship Care - This study will describe the extent and implications of using relatives as foster parents.

2. Foster Care Training: Special Needs Children - This inspection will review pre-service and in-service training programs for foster parents involved with special needs children (AIDS, developmentally disabled, etc.).

FOSTER CARE ADMINISTRATIVE COSTS

Mr. Natcher: Why do you recommend placing a rather arbitrary limit on State Foster Care administrative costs?

Mr. Kusserow: The exponential increases in "administrative costs" necessitates quick action to staunch the hemorrhaging of Federal funds for these activities. In our ongoing work, which we recently summarized in testimony before the House Ways and Means Committee's Subcommittee on Human Resources are finding that most of the costs we are paying for in this area are not traditional administrative costs, but are important child placement services. Nevertheless, these costs are growing out of control. We have learned that so called Foster Care administrative costs increased 180 percent for the four-year period ending in FY 1988. This translates to a rise in costs from $143 million to $400 million. The Office of Human Development Services has testified to increases of about 2,800 percent over the last decade. This compares to an 81 percent increase in maintenance costs for the same time period and a 19 percent increase in the number of children receiving Foster Care. However, less than 20 percent of these costs are what are traditionally regarded as administrative costs. The law authorizing the program mandated the inclusion of preventive and reunification activities, essentially social services associated with care. However, the law defined these costs as "administrative."

Given the program's precarious position, our preliminary conclusion is that a hold needs to be placed on administrative costs, while options for containing these costs are explored. The imposition of a ceiling on Federal payments for administrative costs as proposed in the President's FY 1991 budget is one of several options available for cost containment. Such a cap should also provide for controls to assure that the vital services are not cut back and that States which have already maximized Federal payments are not inappropriately rewarded. Other options identified to date include: (1) setting a base year to determine annual funding levels by State, (2) establishing a block grant to pay Foster Care administrative costs, (3) limiting to one year, the period for filing retroactive claims for Federal funds, and (4) recovering the administrative costs associated with ineligible maintenance payments.

NATIONAL PRACTITIONER DATA BANK

Mr. Natcher: What activities are you conducting with respect to the National Practitioner Data Bank?

Mr. Kusserow: Currently, we have one study underway and one study planned involving the National Practitioner Data Bank (the Data Bank). Under provisions of the statute, access to the Data Bank is limited to such organizations as hospitals, State medical boards, Federal agencies, peer review organizations, and law enforcement agencies. We have been informed that "for-profit" companies are requesting access to the Bank on behalf of clients (e.g., hospitals) with whom they have contracted to perform credentials verifications. The Department's Office of General Counsel (OGC) has ruled that such organizations can both request information from and report to the Data Bank under the "authorized agent" authority of the legislation. We are reviewing the nature of these credential verification businesses to determine how their participation impacts on the confidentiality of Data Bank records.

Additionally, during FY 1991 we plan to conduct a national inspection to review implementation of the Data Bank. This study will include a review of the extent to which "health care entities" are reporting disciplinary actions as required by the statute.

With regard to other activities, we assisted PHS in developing portions of the Data Bank "users manual" to assure that it reflected sanction provisions of the statute. Moreover, we provided representation at the recent PHS sponsored national Data Bank Educational Conferences that were held throughout the country for health care entities and other organizations.

COMMUNITY MENTAL HEALTH CENTER GRANTS

Mr. Conte: Mr. Kusserow, I'm sure you know about those news reports out last week which said that substantial amounts of community mental health money was going to build private for-profit facilities, even with pools and tennis courts. What are you doing to look into these allegations?

Mr. Kusserow: In 1984, my office reported on several issues related to the Community Mental Health Center (CMHC) construction grants and estimated that between $20 - $60 million was potentially being misspent. In FY 1990, we will examine the extent to which the National Institute of Mental Health (NIMH), within the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA), has monitored CMHC construction grants. This review will also determine whether required mental health services, which are a prerequisite for award of these grants, are being provided.

A private consultant recently reviewed 158 ADAMHA grants. Our PHS Audit Division will follow-up and evaluate the adequacy of ADAMHA's efforts to address: (1) certain allegations, (2) the consultant's report, (3) the remaining centers that have not yet been reviewed, and (4) NIMH's efforts to address the allegations and take corrective action.

SUBSTANCE ABUSE PROGRAMS

Mr. Conte: With all that anti-drug money out there, what has your office been doing to eliminate waste, fraud and abuse in the substance abuse programs?

Mr. Kusserow: Our PHS Audit Division, has scheduled a number of audits and reviews during FY 1990/91 relating to drug and substance abuse. Three audits, currently scheduled to begin this year, include a review of the National Institute of Drug Abuse (NIDA) to determine whether NIDA resources are being adequately targeted to drug abuse research on treatment and prevention. A second audit of ADAMHA will determine whether that agency maintains a current inventory of the effectiveness and quality of the many drug treatment and prevention programs it sponsors. The third audit will assess the cost and effectiveness of the various substance abuse educational programs provide by ADAMHA.

Additionally, during FY 1991 we plan to survey the cost of alcohol/drug abuse treatment and prevention programs established under the Anti-Drug Abuse Acts, as well as evaluate the effectiveness of ADAMHA's treatment outreach efforts in reducing drug dependency.

OMB HIGH RISK LIST

Mr. Conte: The OMB recently put out a "high risk" list of federal programs with high potential for waste, fraud and abuse. At HHS this included the Medicare and medicaid programs, reconciliation of Social Security and IRS differences over $58 billion in employee pay, FDA generic drug guidelines, and a couple others. What is your office doing to review OMB's high risk list?

Mr. Kusserow: The high risk areas which OMB identified at HHS are areas which the OIG has reviewed and identified as significant weaknesses. At our urging, all of the items on OMB's High Risk list have been reported in the Secretary's FMFIA annual report as material weaknesses. As a matter of policy and practice, we review the Department's progress in correcting identified material weaknesses until the corrective actions taken result in the problem being no longer material. Our reviews are conducted during and at the end of each fiscal year. Also, since these High Risk Items were originally identified by the OIG, we place them into our own tracking and follow-up system. This results in an additional monitoring system in these cases.

Mr. Conte: Do you agree with their choices of high risk programs?

Mr. Kusserow: Yes. As a matter of fact, OMB consulted with us when the list was being developed. Missing from your list, however, but included on OMB's list were the problems found at the Indian Health Services (IHS). Broad managerial and accounting control weaknesses were noted in such areas as: controls over travel, conference costs and accounting controls regarding IHS staff quarters. Also, adequate internal control reviews had not been performed in IHS' programmatic areas of health delivery care.

INTERNAL CONTROL WEAKNESSES

Mr. Conte: Your opening statement mentioned the identification of 21 weaknesses in internal controls at the Department. Can you give us a sample of what some of those weaknesses are?

Mr. Kusserow: Let me first clarify. There were actually 25 material weaknesses and nonconformances identified in our Department in FY 1989. Twenty-one (21) of those items were identified by the OIG, three by Department managers, and one by the General Accounting Office (GAO). Following are examples of weaknesses in each of our Department's components:

1. Social Security Administration: Modernized Claim System (MCS) Controls - An adequate internal control structure does not exist to compensate for the lack of separation of duties in processing Title II claims. Under the separation of duties theory, no one person should be able to perform all the key tasks of a process. However, in MCS claims-taking process, certain position types are authorized to take, develop, adjudicate and effectuate payment of a claim without any independent review or certification of a claimant's identity or eligibility information. This creates a vulnerability for fraud and abuse.

2. Health Care Financing Administration: Inpatient Psychiatric Benefits - Medicaid regulations are inconsistent with current statutory requirements regarding the allowability of Medicaid claims for inpatient psychiatric services provided to individuals under age 21 in non-hospital settings. The Deficit Reduction Act of 1984 specified that this benefit be provided in psychiatric hospitals. HCFA will submit a 1991 legislative proposal that would allow the Secretary to define the settings in which inpatient psychiatric services under Medicaid may be provided.

3. Public Health Service: Food and Drug Administration Import Surveillance - The FDA's alternative Internal Control Review (ICR) of their surveillance over imported food disclosed what we consider a material weakness that should have been reported in a prior fiscal year. The weakness dealt with FDA's limited scope of testing and identifying items that were in violation of FDA regulations, and thus not ensuring the products were actually denied entry. The FDA alternative ICR reported that some of these products were marketed in the United States. The reason given by the FDA for not reporting the weakness in FY 1988 was that the person who was responsible for conducting this alternative ICR had

not designated the problem as a material weakness. As a result of our assessment, FDA officials agreed that this problem constitutes a material weakness and initiated the development of a corrective action plan. PHS included it in its November 1, 1989 FMFIA report to the Department.

4. Office of Human Development Services: Grant Award Process - HDS is responsible for monitoring hundreds of discretionary grants. Monitoring of grantee performance is a major internal control to be accomplished through evaluation of progress and financial reports submitted quarterly by grantees and through on-site monitoring. The agency has not made sufficient on-site monitoring visits to grantees due to the unavailability of staff and travel resources. As a result, the monitoring program could not provide sufficient assurance that the grantees operations were in accordance with grant terms.

5. Office of the Secretary: Control of Accounts Receivable - Weaknesses were found in the recording and controlling of accounts receivable on the Department's accounting records. Accounts receivable were not recorded in all instances. The total of unrecorded accounts exceeded the threshold level of $10 million which classifies this weakness as material. In some cases, while accounts receivable were recorded, collection action has not been timely. An additional problem area concerns the handling of certain types of audit receivables which have not been recorded on the accounting records.

Mr. Conte: What is being done to correct these weaknesses?

Mr. Kusserow: The Department, as well as the OIG, has a number of systems and procedures in place to monitor and track correction of material weaknesses.

The Departmental managers, under the direction of the Assistant Secretary for Management and Budget, have recently created a system to track all material weaknesses and to maintain a complete historical file which describes the nature of the weakness, the corrective action plan, including milestones, and the final disposition. Regarding the latter point, a copy of the actual action taken will be in the file. For example, if new written procedures were required to prevent abuse in an internal control process, then a copy of those procedures would be in the file. The files are updated on an ongoing basis but not less than quarterly.

Towards the end of FY 1989, the Department established a Departmentwide Management Oversight Council in which top management attention was focused on the FMFIA program and follow-up of reported weaknesses. The four council members consist of the Department's top procurement, budget and financial officials as well as the chief auditor for the Department. Individual council sessions have been held on a quarterly basis with principal management representatives from each of the Operating Divisions of the Department, such as SSA. Part of the agenda is devoted to discussion of the status of action taken on pending corrective actions of material weaknesses. Written reports are prepared of the results of council meetings and follow-up action is required of specific action items before the next council meeting.

The OIG policy and practice is to determine whether the Department is making satisfactory progress on all pending material weaknesses.

MEDICARE SECONDARY PAYER PROGRAM

Mr. Conte: As you noted in your written statement, despite laws making Medicare as a secondary payer, it continues to be billed as a primary payer. What steps are being taken to eliminate Medicare being billed as a primary payer?

Mr. Kusserow: The OIG is undertaking several initiatives to help combat Medicare being billed as a primary payer. The OIG has also issued two management advisory reports recommending various initiatives the Health Care Finance Administration (HCFA) can institute to help eliminate the pay and chase mode. The various reviews the OIG has underway include a nationwide review involving a match of SSA and HCFA computer files and contractor specific reviews. We are also working closely with HCFA to help them implement the Medicare Secondary Payer (MSP) mandates contained in OBRA 89.

In March, the OIG issued a management advisory report entitled "More Complete Employer Group Health Plan Information is Needed to Administer the Medicare Secondary Payor Program" (A-09-89-00100). This management advisory report recommended actions that HCFA should take to improve the collection of health insurance information for use in the MSP program. Despite HCFA's efforts, more needs to be done to better identify primary payers other than Medicare, and to reduce Medicare overpayments -- estimated at $400 million to $1 billion per year -- which result from unidentified MSP cases.

Although HCFA has implemented a number of administrative actions to improve the identification process, none has proven completely effective. In addition, HCFA proposed a legislative remedy during its FY 1990 budget process to require insurance companies, underwriters, and third-party administrators to submit employer group health plan (EGHP) coverage data directly to HCFA on a periodic basis.

The HCFA FY 1990 proposal was not cleared by the Office of Management and Budget (OMB), and was not included in the President's legislative program. HCFA does not plan to resubmit its proposal for inclusion in the FY 1991 budget process in light of OMB's previous rejection.

We recommend that HCFA revise and resubmit its legislative proposal requiring insurance companies, underwriters, and third-party administrators to periodically submit EGHP coverage data directly to HCFA. HCFA should justify this proposal as offering an efficient process for correcting a material weakness in Medicare claims processing internal controls and emphasize that failure to implement the proposal will perpetuate millions of dollars in annual Medicare overpayments.

We also recommended the following supplemental actions to identify Medicare beneficiaries with EGHP coverage through collateral sources of information:

- o Employers be required to report EGHP coverage on the Wage and Tax Statement (Form W-2) from which the EGHP data could then be extracted and provided to HCFA. This would require legislation in coordination with the Department of the Treasury.

- o Beneficiaries be required to disclose other health insurance coverage information to HCFA. Failure to accurately and timely report the information would subject them to civil penalties.

- o SSA be administratively required to maintain beneficiary spousal information (currently collected at the time of application for Social Security benefits) in the master beneficiary record (MBR) system. This information should then be transferred to HCFA for its use.

Without an adequate system of internal controls, including the collection of accurate EGHP information and use of that data in processing claims, the Medicare program will continue to make inappropriate payments to providers of services which are the liability of unidentified other insurers of Medicare beneficiaries.

In a separate management advisory report issued in February 1990 (AO-12-89-00002), we recommended that the Department seek legislation to establish a voluntary disclosure and recovery program to permit insurers to identify improper MSP payment and make restitution. Any insurer not participating would be subject to treble damages with respect to any such claims subsequently identified by the Government. HCFA is still evaluating this proposal and has yet to respond to our final report.

OBRA 89 included MSP provisions which mandate a match of IRS and SSA data with HCFA, to identify potential MSP situations requiring verification with employees and insurers. This requirement is similar to a match the OIG had underway at the time OBRA 89 passed, and we are helping HCFA to implement the stationary requirements.

OBRA 89 will help to identify and prevent MSP overpayments. Nevertheless, we still believe our recommended actions will be needed.

Mr. Conte: Do you have data showing how much is being lost from improper MSP billing?

Mr. Kusserow: Yes, as reported in our management advisory report entitled, "More Complete Employer Group Health Plan Information is Needed to Administer the Medicare Secondary Payer Program" (A-09-89-00100), Medicare overpayments are estimated by the OIG at $400 million to $1 billion a year. This estimate is consistent with HCFA estimates of losses. We have also issued a draft management advisory report entitled "Medicare Secondary

Payer Systems: Strategies for Improvement." We are currently conducting a survey of 4,300 Medicare beneficiaries in order to arrive at a more current and precise estimate of MSP program losses. The 3,380 responses from this survey are now being analyzed and tabulated. The results of this survey will be reported in August.

In addition, the OIG's Office of Evaluation and Inspections (OEI) had issued a draft management advisory report entitled "Medicare Secondary Payer Systems: Strategies for Improvement." This report concurs with HCFA's estimate that the current MSP program loses a total of $400 - $900 million each year.

We are now conducting a survey of 4,300 Medicare beneficiaries in order to arrive at a more current and precise estimate of MSP program losses. The 3,380 responses from this survey are now being investigated and tabulated. The results of this survey will be reported in the inspection report entitled: "Medicare Secondary Payer: Extent of Unrecovered Funds," scheduled to be released in final by August 31, 1990.

PHYSICIAN PAYMENT REFORM

Mr. Conte: With the beginning of the new Relative Value Scale (RVS) payment system for doctors, your office is gearing up to review payments under this plan. What problems do you anticipate from the RVS system?

Mr. Kusserow: Developing an RVS system presents us with a challenging task. As the Department proceeds with implementation of the RVS, the OIG will be examining RVS fees and HCFA's implementation to assess vulnerabilities in reimbursement and utilization. Several issues that the OIG has identified for study because of their potential for problems include:

- Setting the annual volume performance goals. This will be a complex and controversial process. The OIG will be looking at the methodologies employed by HCFA and the Physician Payment Review Commission in making the volume performance standard recommendation.

- Establishing the process for identifying precise physician practice costs and appropriate geographic variations in fees.

- The new definition of global surgical fees (includes pre-operative and follow-up visits) may be narrower than that currently used by some Medicare carriers. Therefore, physicians in these carrier areas may begin to receive reimbursement for pre-operative and follow-up visits that were formerly included in their surgical global fee.

- The RVS is based on average physician resources for each service regardless of the place of service. When physicians make multiple visits on the same trip, Medicare may make excessive payments if reimbursement is based on average resources.

- For surgical procedures that are performed sequentially, resources are generally considered to be lower. Payments based on the average resources may result in sequential surgeries being overpaid.

IMPROPER DRG BILLINGS

Mr. Conte: What progress is being made on reducing fraudulent or improper billings derived from the DRG system?

Mr. Kusserow: The Medicare prospective payment system (PPS) was implemented in October 1983 to control inpatient hospital reimbursement, the largest single component of Medicare spending. The PPS is based on fixed per-case payment for Diagnosis Related Groups (DRGs).

Peer review organizations (PROs) have primary responsibility for reviewing physician's DRG classifications as well as monitoring the system to protect against provider abuses such as unnecessary admissions, substandard care, and premature discharge. The PRO program was created by the Tax Equity and Fiscal Responsibility Act of 1982 which shortly preceded the PPS legislation. The PROs were expected to address concerns about the potential negative incentives of the PPS system.

When the PROs identify problems with a physician or hospital, they were expected to address those problems through education and consultation, intensified review or denial of payment for care that was not reasonable or was provided in an appropriate setting. The PROs were also authorized to recommend the sanction of physician or providers in cases of "substantial violation" in a "substantial number of cases" or a "gross and flagrant" violation even in a single case. Such cases are referred to our office for review and sanction determination.

Recently, our office has issued three reports analyzing the PRO program. In August 1988, we issued a report on quality review activities. In October 1988, we issued a report on sanction activities. In January 1989, we issued a report on the program's effectiveness. We currently have an inspection underway which is analyzing PRO review of DRG assignment.

Our office has also conducted a series of reports on selected DRGs (DRG 79, 87, 89, 121, 129, 154, 296, 416, and 468) which are particularly vulnerable to manipulation and miscoding due to their high reimbursement rates and their nonspecific diagnostic criteria. These inspections found coding errors of various types for each of these DRGs. Most of the coding errors resulted in significantly higher payments to the hospitals. As a result of these coding errors, projected Medicare losses are estimated at $474.3 million annually.

Aside from our activities analyzing the PRO program and individual DRGs, we have completed work on miscoding patient transfers. In May 1988, we issued a report entitled "Miscoding Patient Transfers: Effect on Medicare Payment." The inspection was designed to determine if overpayments were made to hospitals under PPS because of patient transfers not correctly identified during the Medicare claim payment process. When a patient is transferred from one short term acute hospital to another, the first hospital is paid a proportional share up to the full amount of the DRG payment based upon the length of the patient's stay in the hospital. In order for the intermediary to correctly pay for transfers, hospitals must indicate on the billing form when transfers occurred, or the transfer must be detected during PRO review.

In our May 1988 report, we found that 87.5 percent of a 1985 sample of possible overpaid claims were actually miscoded transfers. An estimated $39.9 million were overpaid in FY 1985 because of incorrect coding of transfers to other short term acute hospitals.

We are currently undertaking an audit to identify and recoup Medicare funds which were paid for inappropriately coded discharges.

NATIONAL PRACTITIONER DATA BANK

Mr. Conte: If HRSA ever gets around to starting up the National Practitioner Data Bank, what will your office be doing to coordinate enforcement and penalties with the data bank?

Mr. Kusserow: As you know, PHS is responsible for routine maintenance and operation of the National Practitioner Data Bank (the Data Bank), while the OIG has been delegated responsibility for enforcing violations of reporting and confidentiality of information provision of the Data Bank through the levying of civil money penalties. The final PHS regulations are very specific with regard to what information on medical malpractice payments must be reported and when. Similarly, the regulations are very detailed regarding disclosure of confidential information collected and reported by the Data Bank. In this regard, we anticipate that a substantial number of violations will be referred to us by PHS. We also expect that violations will be investigated as a result of hotline complaints to the OIG and proactive reviews such as the national inspection of the implementation of the Data Bank. Nevertheless, PHS will provide our first point of referral for investigation of any case involving potential violations relative to the Data Bank.

As noted earlier, we have worked closely with PHS during the current implementation phase of the Data Bank. Our office provided input in development of the PHS regulations and assisted in evaluating bids for operation of the Data Bank. We fully expect that our working relationship will continue once the Data Bank is operational.

NERVE STIMULATORS

Mr. Conte: Last year you said you were cracking down on medical devices being fraudulently billed to Medicare. You remember the nerve stimulator device. Is there any progress in reducing improper billings for medical devices?

Mr. Kusserow: In July 1989, we issued our report entitled "Transcutaneous Electrical Nerve Stimulation (TENS) Devices". We found that fully one-third of the claims for beneficiaries were inappropriately reimbursed.

As a result of our report, HCFA has improved its controls to prevent unnecessary payments for TENS devices. Specifically, they have required that physicians conduct a two-month trial period during which the physician determines whether the TENS device is effective in alleviating the patient's chronic pain, and that suppliers must have a written order from the physician before they deliver the TENS device.

In addition, in OBRA 89 Congress reduced Medicare payments for TENS devices by 15 percent. This will reduce the suppliers' profits on these devices and discourage aggressive marketing of these devices to beneficiaries.

EFFECTIVENESS OF PRO PROGRAM

Mr. Conte: How effective do you think Medicare's peer review system is in picking up cases with poor quality and taking corrective action?

Mr. Kusserow: We have serious concerns about the effectiveness of the peer review system. These concerns are a result of the small number of referrals we have received from the peer review organizations (PROs) and from a study we did about the peer review process in 1988.

Since May 1985, when the final regulations were published, to March 31 of this year, we have received only 208 sanction recommendations from PROs. This is a minuscule amount when you consider the number of Medicare hospital admissions during the same period. In addition, of those 208 recommendations, we have rejected 84 of them based on the fact that the PROs either failed to provide adequate evidence of a violation or there was insufficient information to determine that a provider was not willing or able to change its behavior.

The 1988 study of PROs raised, among others, the following concerns:

- The PROs' problems in referring acceptable sanction recommendations to the OIG which are due in part to difficulties in (1) interpreting statutory and regulatory definitions and requirements related to sanctions, and in (2) providing adequate documentation of physicians' or providers' unwillingness or lack of ability to comply with their obligations under section 1156 of the Social Security Act.
- The PROs' confusion and conflict inherent in their concurrent education and sanction enforcement roles.
- The current lack of viability of the monetary penalty as an alternative method of sanctioning a physician or provider.

Since the PROs provide HCFA with data on cases involving quality issues which are resolved prior to initiating the sanction process or through corrective action plans, that agency may be able to provide you with additional information.

Mr. Conte: Are you working with HCFA to come up with some answers?

Mr. Kusserow: We furnish HCFA with a monthly report providing them with data regarding the number of cases we have received, implemented, or rejected. We also provide them with a copy of all our decisions involving cases we receive from PROs. In addition, we provide HCFA with information regarding the quality of the work we review.

Through our review of the cases we have received from PROs and our contacts with these organizations, we have identified two principal problems impeding PRO performance. The first problem is the present requirement that a practitioner or provider must be found unwilling and or unable to comply with the statutory obligations before a sanction can be imposed. The second problem is the impression that, because of the small amount of the penalty, the imposition of a monetary penalty is not providing a sufficient deterrent to further activities.

To correct these shortcomings, the OIG, with HCFA's concurrence, has proposed that the present statutory requirement regarding unwillingness and or inability be eliminated, and that the monetary penalty be modified so that a penalty of $10,000 or higher can be imposed.

We are also trying to improve the sanction process by redelegating the authority to hear appeals on PRO sanction cases to the Departmental Appeals Board (DAB) judges. DAB judges are accustomed to hearing complex adversarial cases. Currently, the Office of Hearing and Appeals (OHA) judges hear these cases. OHA judges are not accustomed to the expedited time frames necessary to hear PRO cases, and are also not accustomed to dealing with adversarial proceedings. They have often approached these cases as though they were Social Security cases, in which the judges are responsible for protecting the claimant as well as deciding the case.

ENFORCEMENT RESPONSIBILITIES

Mr. Conte: Have there been any new major enforcement responsibilities enacted in the past year?

Mr. Kusserow: The OIG has not been given any new enforcement responsibilities involving PROs in the past year. However, OBRA 89 did provide the OIG with additional sanction and civil money authorities, including the following:

- Authority under Section 1877 of the Social Security Act, to impose an exclusion and a civil money penalty of up to $15,000 for improper claims by a referring physician to a clinical laboratory in which he/she or an immediate family member has a financial relationship.

- Authority under the same section to impose a civil money penalty of not more than $100,000 for entering into a scheme, such as cross-referral, to circumvent the prohibition against referring to a clinical laboratory in which the physician or his immediate family member has a financial interest.

- Authority under Section 1833 of the Social Security Act to impose a civil money penalty up to $2,000 if an entity submitting a bill knowingly and willfully fails to provide information regarding the referring physician. It also provides the authority to exclude an entity up to five years if it knowingly, willfully, and repeatedly fails to provide the information, after being notified.

- Authority under Section 1128(b)(4) to exclude an individual or entity who is barred by a licensing board from applying for or renewing a license.

- Authority under Section 1876 to impose a civil money penalty up to $25,000 on a risk-sharing contractor who employs or contracts with any individual or entity that is excluded from Medicare participation under Section 1128 or 1128A to provide health care, utilization review, medical social work or administrative services or employs or contracts with any entity to provide services (directly or indirectly) through such an excluded individual entity.

PHS AUDIT DIVISION

Mr. Conte: What is the progress of your new audit division overseeing the Public Health Service?

Mr. Kusserow: The newly established PHS Audit Division is now at full staffing, with a complement of 24 auditors who are responsible for PHS and its eight agencies: NIH, FDA, the Centers for Disease Control (CDC), IHS, the Health Resources Services Administration (HRSA), ADAMHA, the Agency for Toxic Substances and Diseases Registry, and the National Institute for Health Policy and Research, which was formed in October 1989.

Over the last year and a half since its establishment, the PHS Audit Division has been heavily involved in much publicized audits of the FDA's generic drug operations, which have produced numerous reports and recommendations for improving the generic drug application process and the generic drug management information system. These reviews, along with audits of FDA's New Drug and Medical Device 510(k) application processes, have absorbed a significant amount of audit resources which otherwise would have been directed to other PHS areas. The new Division has also placed a good deal of effort in the area of evaluating compliance with the FMFIA. A number of material internal control weaknesses have been identified through the PHS Audit Division's audits and many were included in the HHS Secretary's report to the Congress in December 1989. Lastly, the assumption of responsibility in June 1989 for audit oversight of colleges and universities has entailed a substantial effort in planning and coordinating this effort.

PHS GRANTS

Mr. Conte: How do you evaluate the PHS grant-making process?

Mr. Kusserow: PHS has a broad range of grant programs that encompass biomedical research, training of biomedical research scientists and health professionals, development and delivery of health services, and construction of research, educational and health facilities. All eight agencies of PHS and the Office of the Assistant Secretary for Health award grants.

The majority of grant awards are made to colleges and universities to support research projects. Other grants are awarded for such things as health planning, instruction, fellowships and medical library support. Awards are made to educational institutions, State and local governments, private service organizations, hospitals and research institutions. The grants can be new awards or continuations of earlier awards. Over 70 percent of the grant awards are for support of research at colleges and universities, and block grants to State and local governments for such things as alcohol abuse, drug treatment and mental health services.

The OIG focuses on specific grant programs. An assessment of the NIH grant award process was included with a report on eight colleges and universities which was issued to the House Committee on Appropriations, Subcommittee for the Departments of Labor, HHS, Education and Related Agencies, in March 1989. Audits at ten additional schools are underway, and eleven more are near completion. A consolidated report on the results of these reviews is expected to be issued later this year.

In addition, there are a variety of other initiatives planned which directly and indirectly address the PHS grants process on an individual, agency basis. Some of these initiatives include: the possible overlapping of HIV-AIDS funding awarded by CDC; the effectiveness of alcohol and drug abuse treatment programs funded by ADAMHA; the funding of urban Community Health Centers by HRSA; and the effectiveness of AIDS treatment techniques funded by various PHS agencies.

NIH PROCUREMENT PRACTICES

Mr. Conte: What can you tell us about NIH procurement practices -- are they getting better in bargain shopping?

Mr. Kusserow: According to NIH in its latest status report on DELPRO corrective actions, efforts to obtain discounts on Blanket Purchase Agreements (BPAs) from high volume vendors (annual sales to NIH over $200,000) are ongoing. NIH has completed negotiations with 65 of 68 of its high volume vendors; 48 of the 65 agreements were negotiated between March and December 1989. Negotiations have also been initiated with 36 of the 57 mid-volume vendors (annual sales between $100,000 and $200,000) whose combined annual sales to NIH total approximately $10.3 million. NIH also reported that, as part of its monitoring/oversight system, a procurement review unit within the

DELPRO Branch has been established to ensure that negotiated discounts are received.

Also, the number of DELPRO ordering clerks has reportedly been reduced from 600 to 200. For the most part, secretaries and other administrative employees are no longer used as DELPRO ordering clerks and approximately 87 percent of the DELPRO ordering clerks are now in a procurement classification series rather than an administrative series. In addition, the number of nodes (offices or units) which are authorized to place orders through the DELPRO system has been reduced from 175 to 115.

In addition, NIH's warehouse inventory managers are now using established stocking criteria to identify those items which should be purchased in bulk and stocked in NIH's warehouses rather than be continuously purchased through the DELPRO system. Criteria for determining the most economical and efficient procurement mechanism were reportedly completed in the quarter which ended December 31, 1989.

We estimate that savings should be between $10 and $15.3 million over the next three years. We also point out that an additional $3.6 to $5.9 million could be saved in other procurement areas.

AIDS GRANTEES

Mr. Conte: How have you been overseeing the AIDS grant-making process?

Mr. Kusserow: We plan several reviews in PHS in FY 1990 and FY 1991 which address the grant-making process. The first project, scheduled to begin in FY 1990, is entitled "Cost of Boards/Commissions/Panels." This effort will study selected committees within PHS to determine how these committees are managed, what their workload involves and how the approximately $25 million annual cost of maintaining over 200 advisory boards, panels and committees is being utilized.

The second review, scheduled for FY 1991, will address the "AIDS Grant Award Process." This review will determine whether the grant application award process can be improved in terms of efficiency and cost effectiveness.

Two other reviews, scheduled for FY 1991, will examine potential grantee problem areas. We will review the extent to which PHS grantee institutions have policies and procedures in place to deal with conflict of interest issues and what provisions are included. At the request of OMB, we will also evaluate PHS' systems for identifying, monitoring and funding high risk researchers and organizations (i.e., those with poor or improper fund management practices).

Mr. Conte: Have your review activities caught up with the growth of AIDS spending?

Mr. Kusserow: For FY 1990, approximately eleven percent of PHS expenditures go toward AIDS-related initiatives. This year we will devote approximately eleven percent of our audit resources at the PHS Audit Division on assignments which are directly and indirectly related to AIDS research and prevention funding. These initiatives will address: (1) Federal funding for the drug Azidothymidine (AZT) for treatment of AIDS patients; (2) the possible overlapping of AIDS programs and functions within PHS; (3) discrimination against AIDS patients; and (4) HIV prevention and education.

During FY 1991, we have planned additional audit reviews in the AIDS area, including evaluations of the following: (1) the cost of health care for AIDS patients; (2) services to AIDS patients; (3) effective AIDS treatment techniques; and (4) the uses of HIV-AIDS funding.

OIG STAFFING LEVELS

Mr. Conte: The President's budget appendix reflects your 1990 and 1991 employment levels as 1,437 FTEs. However, your justification which accompanies the budget reflects your employment in both years as 1,415 FTEs. What are your correct employment figures in those years?

Mr. Kusserow: Employment levels are reflected in the President's Budget in the Program and Financing Statements on page A-732. Full-time equivalent employment (FTE) for the OIG is reflected as 1,437 FTEs for both FY 1990 and FY 1991. We believe that the President's Budget, which is developed and printed by OMB subsequent to budget discussions with the agency, represents the correct staffing level for both years.

DURABLE MEDICAL EQUIPMENT SUPPLIES

Mr. Dwyer: New Jersey and a number of states have had problems over the past several years with unscrupulous durable medical equipment companies. I would like to thank you for the assistance which your office provided to uncover efforts by one company to defraud Medicare by supplying unneeded medical equipment to beneficiaries in New Jersey and Pennsylvania. How much money does Medicare lose every year, because of these companies?

Mr. Kusserow: Investigations of these matters have produced significant recoveries for the Medicare program and the OIG. During the last four years, our investigations resulted in 486 convictions for all health care cases, 31 of which were against durable medical equipment (DME) suppliers. The DME investigations alone have resulted in savings of more than $3.7 million. In addition, our work also resulted in 86 DME provider sanctions and civil monetary penalties totalling $11.8 million.

We cannot precisely identify the losses that Medicare incurs due to these companies. However, it should be noted that Medicare Part B payments, which include payments for DME, have increased 13 percent, on average, over the last four years. In view of these escalating costs, it is imperative that we do everything we can to ensure that Medicare does not pay for unnecessary DME supplied by companies which obtain authorization after the equipment has been provided, and that responsible DME companies are not forced to raise their prices to cover overhead expenses imposed by physicians as a cost of doing business.

Mr. Dwyer: What efforts will the Inspector General's office undertake this year to combat these companies?

Mr. Kusserow: Fraud in the DME industry continues to be one of the major sources of concern to this office. Some unscrupulous companies bill for items never delivered; others throughout the country engage in aggressive sales practices, obtain false diagnoses and authorizations from physicians, and even forge physicians signatures. As a result, we have numerous ongoing investigations in this industry, as illustrated by the following:

1. An investigation by our Philadelphia Field Office revealed a scam that allegedly has netted two firms, Federal Home Care and Home Health Care Inc., more than $4 million from Medicare in the past two years for medical equipment. In November 1989, a civil fraud complaint was filed in the U.S. District Court for the Eastern District of Pennsylvania against these two firms and nine individual defendants. The complaint alleges that these companies and individuals contacted Medicare beneficiaries (all senior citizens) by telephone; obtained their Social Security numbers, medical histories and physician's names; prepared false certificates about their medical conditions; induced physicians to sign the false documents; and shipped the unneeded and unwanted medical equipment to beneficiaries in Southern New Jersey, Eastern Pennsylvania and other areas.

Related investigations have revealed that some of the same marketing and billing practices are being utilized by other DME companies around the country. We have discovered that these companies are billing Pennsylvania Blue Shield, as well as other carriers in an effort to obtain maximum reimbursement for their products. This is being done to evade Medicare requirements limiting DME reimbursement to the lowest level available in a locality.

For example, an Iowa DME supplier brought to our attention a case where a DME supplier was billing Medicare in Pennsylvania while patients were actually in Iowa. We are conducting a criminal investigation into whether this supplier is abusing the Medicare system by charging inflated rates.

2. We have started to see an increase nationwide in the number of cases dealing with home infusion therapy, including parenteral/enteral nutrition (PEN) therapy. This is one of the fastest growing segments of health care in the United States. This growth in our caseload can be linked to the fact that lucrative returns can be realized in this business. At the present, Medicare reimbursement rates for PEN therapy are quite high. We are currently discussing the feasibility of instituting a national project to address the case increase in this area.

In one case, questions have been raised about the billing practices of a company for PEN therapy and catheter supplies. We are aware that this company furnishes supplies to a substantial number of States and bills many different carriers. A prior investigation revealed that this same company divided up catheter packages, and billed Medicare separately for each item, resulting in greatly inflated reimbursements by Medicare. This investigation is continuing.

3. Several investigations involving Medicare coverage of seat lift chairs (SLCs) remain active. For some time, the rapidly increasing number of Medicare claims for these chairs, the aggressive marketing techniques used by suppliers, and the incidence of related fraud have been a problem.

We have a case where a DME supplier has fraudulently sold DME equipment using unauthorized physician approvals, double billed Medicare and private insurers and paid kickbacks for patient referrals. Questions remain regarding the medical necessity of SLCs and whirlpools delivered by this supplier. This investigation is continuing.

4. We are conducting many investigations into TENS devices. These are low-voltage electrical impulse generators used as a pain-control device.

In one State, we have a case where a DME supplier employed contract salespersons to procure TENS business on a commission basis. Many of these salespersons dressed in medical attire when visiting customers, and falsely stated that they were from Medicare or Medicaid. These salespersons would tell customers that TENS units could be supplied at no cost. The salespersons would then prepare false prescriptions needed to bill Medicare, and pay kickbacks to physicians to authorize them. This investigation is ongoing.

We are in the initial stages of another case involving kickbacks to doctors who authorize usage of TENS units. We believe that these kickbacks are being made under the pretense of administrative fees for preparing TENs prescription paperwork.

5. We have many new investigations involving oxygen concentrators. In the past three years, oxygen concentrators have been the highest reimbursed DME in the Medicare program, a fact not lost on corrupt suppliers. Let me elaborate on some examples in this area.

For example, we are investigating a case where a DME company is allegedly billing the Medicare program for oxygen concentrators without taking meter readings to determine the actual amount of oxygen used. This case is in the preliminary stages of development.

In one State, we have a case where a provider paid over $10,000 in kickbacks to other providers to obtain prescriptions for oxygen concentrators. This is one of three ongoing oxygen equipment cases in this State. Twenty-four (24) providers have been arrested and have been charged with Medicare and Medicaid fraud.

In another State, we have a case where technical data was falsified in order to qualify patients for oxygen equipment and related services. We have obtained indictments on the subjects involved which could lead to convictions.

Finally, we have a case where an oxygen equipment supplier has been qualifying patients for home oxygen use, in violation of Medicare statutes. This case is in the preliminary stages.

FRAUD ALERT FOR MEDICARE BENEFICIARIES

Mr. Dwyer: Have you considered developing a pamphlet with the assistance of HCFA on these types of unscrupulous companies for distribution to Medicare beneficiaries?

Mr. Kusserow: Last year we developed a notice with the assistance of HCFA alerting Medicare beneficiaries in certain States to fraudulent practices regarding DME companies. It discusses how beneficiaries can avoid the purchase of unnecessary and unwanted DME services, supplies, and equipment. It was prepared in response to growing criticism regarding the dispensing of DME supplies, and it generated the initial complaint that started the Federal Home Care investigation.

Other information about DME schemes has been made available to beneficiaries and the general public. Several years ago, Social Security offices in one State contacted SSA beneficiaries at our request to warn them of a SLC scheme. More recently, a State Attorney General in another area issued similar warnings through the news media. Currently, one State Medicaid Fraud Control Unit is having their Medicaid agency send warnings to recipients concerning urinary supply fraud.

We have also sent numerous fraud alerts to HCFA and their Medicare carriers. Some years ago, for example, we sent out a Fraud Alert warning that aggressive national marketing by DME companies had given rise to a Medicare beneficiary "consumerism" in which beneficiaries were initiating requests for SLCs. We have also sent out fraud alerts concerning other DME areas, such as:

- The large number of TENS maintenance units that are being billed by DME companies.
- DME companies submitting false Medicare claims for catheter irrigation trays.
- Misuse of physician authorization forms to obtain payment for TENS.
- The lack of standards for acceptance of DME authorization forms.

We are also in the process of issuing fraud alerts concerning the improper purchase of home liquid oxygen systems, and Medicare requirements for payment of DME equipment.

Our fraud alerts often suggest that Medicare carriers develop systems to protect Medicare from the unnecessary utilization of services furnished by providers and suppliers. This view is shared by HCFA and the National Association of Medical Suppliers (NAMES). In addition to payment and post-payment reviews to deter fraud, the carriers are also required to detect and act on potentially fraudulent and/or abusive actions. This process by the carriers has been a primary source of our cases.

We are in the process of establishing reporting mechanisms throughout our field offices to ensure that we are, in fact, being as responsive as possible to not only those entities who make referrals to us, but also to our overall mission.

AGENCY FOR HEALTH CARE POLICY AND RESEARCH

Mr. Dwyer: This year, HHS has a new agency called the Agency for Health Care Policy Research (AHCPR). Do you believe that the AHCPR has a role to play in your efforts to end Medicare payments for obsolete procedures?

Mr. Kusserow: Yes, the AHCPR will assist in the development of preferred practice patterns and guidelines. Their work will identify both needed and unneeded services. We will conduct periodic studies to ensure that unnecessary services are not paid for by Medicare.

Recently we reviewed Medicare payments for 116 procedures on the Blue Cross and Blue Shield Association's list of outmoded procedures. We found that two carriers were allowing significant inappropriate payments for two outmoded procedures. Both carriers are taking appropriate corrective actions.

Mr. Dwyer: What other initiatives are under way to stop Medicare from paying for obsolete procedures?

Mr. Kusserow: We constantly seek to identify Medicare payments for inappropriate procedures and will look to the growing number of practice guidelines for assistance.

MEDICARE SECONDARY PAYER PROGRAM

Mr. Dwyer: On page 108 of the budget justification, you discuss the problems surrounding Medicare as a secondary payer. How much money does Medicare expend unnecessarily in this area?

Mr. Kusserow: As reported in our management advisory report entitled, "More Complete Employer Group Health Plan Information is Needed to Administer the Medicare Secondary Payer Program" (A-09-89-00100), Medicare overpayments are estimated by the OIG at $400 million to $1 billion a year. This estimate is consistent with HCFA estimates of losses. We are also conducting a survey of 4,300 Medicare beneficiaries in order to arrive at a more current and precise estimate of MSP program losses. The 3,380 responses from this survey are now being investigated and tabulated. The results of this survey will be reported in August.

Mr. Dwyer: It is my understanding that your office has undertaken efforts to reduce this amount. To date, how much money has the IG's office saved by insuring that Medicare is paying as a secondary payer when appropriate?

Mr. Kusserow: OBRA 89 mandates HCFA to conduct a data match which is similar to an earlier OIG MSP data match. The new MSP procedures involves a variety of data matches between IRS, SSA and HCFA to identify possible MSP situations. The Congressional Budget Office estimates that over the next five years the new MSP procedures will save the Medicare program about $2 billion.

Mr. Dwyer: What will the IG's office be doing to combat overpayment in fiscal year 1990 and 1991?

Mr. Kusserow: The OIG is undertaking several initiatives to help combat Medicare being billed as a primary payer. The OIG is performing reviews of five HCFA contractors for possible MSP violations and is assisting the Department of Justice in its prosecution of several HCFA contractors for MSP violations. The OIG is working closely with HCFA to implement the MSP mandates in OBRA 89.

Mr. Dwyer: How much money do you believe that these initiatives will save?

Mr. Kusserow: We believe that, at a minimum, the Federal government will save at least $2 billion from MSP initiatives.

Mr. Dwyer: Will you be working with HCFA to improve the language in the Medicare Handbook and other pertinent publications to make it clearer to beneficiaries and providers when Medicare is a secondary payer?

Mr. Kusserow: In a management advisory report entitled "More Complete Employer Group Health Plan Information is Needed to Administer the Medicare Secondary Payer Program" (A-09-89-00100), the OIG made several recommendations which will improve the language to make it clearer to both the beneficiaries and the provider when Medicare is a secondary payer.

The OIG recommended that HCFA revise all Medicare claim forms to require an answer of either "yes" or "no" to the question, "Do you have health insurance as a result of your or your spouse's current employment?" The OIG also recommended that HCFA amend its instruction to Medicare contractors to specify that if the question pertaining to employee insurance coverage is left blank, to suspend the claim and return it to the sender with a letter explaining that questions on health insurance coverage must be answered.

In addition to changes in the claims form, the OIG recommends imposing civil penalties on individuals who knowingly and willfully withhold information on other health insurance coverage. Furthermore, after the law is expanded to include civil penalties, claim forms should be changed to show the penalties for falsifying or omitting information.

The report also contains a recommendation to modify the Form W-2 to collect EGHP information. There is no source of information in the Government's file which provides information that a Medicare eligible beneficiary has medical insurance coverage as a result of employment. Employers are required to file an annual Form W-2 which reports the employee's wages received and the taxes withheld. This form could readily be modified to include a question, such as "is the employee covered by your EGHP?

PHYSICIAN PAYMENT REFORM

Mr. Dwyer: The Congress recently enacted a major revision to the way physicians are paid under Medicare Part B. What will the IG's office be doing to monitor the implementation of the new Resource Based Relative Value Scale (RBRVS) payment system for physicians?

Mr. Kusserow: Similar to our longstanding commitment to examine the Medicare prospective payment system, the OIG intends to greatly increase its attention to physician payment reform. To assess vulnerabilities in reimbursement and utilization under the new RBRVS system, the OIG will be examining RVS fees and HCFA's implementation to include the following areas:

1. Multiple hospital visits - the resource based fee schedule is based on average physician resources for each service regardless of the place of service. When physicians make multiple visits on the same trip, Medicare may make excessive payments if reimbursement is based on average resources.

2. Multiple surgical procedures - this study would examine surgical procedures which are performed sequentially. In these cases, resources are considered to be lower. Payments based on average resources may result in sequentially performed surgeries being overpaid.

3. Unbundling surgical procedures - to maximize their reimbursement, physicians bill each fragment of the procedure performed for a particular surgery. We will study the effect of fragmented charges on the relative resource payment system along with paying for global charges for surgeries.

In addition, we intend to monitor HCFA's implementation of the RVS system to identify any trouble spots. We will look at:

- HCFA's monitoring procedures, implementation plan, methodology for establishing the Medicare Volume Performance Standards (MVPS), internal controls established to safeguard payments, and payment policy procedures and instructions.
- The variations in the reasonable charge payment policy for physician services.
- The payment controls used to monitor the global fee payment policy.
- The variations in physicians payments based on specialty designations among carriers.

FUEL OIL PRICES

Mr. Dwyer: In December, the record cold depleted State and local fuel banks as well as the Federal LIHEAP funds in many States. In addition, there was some controversy that the oil companies were raising prices to artificially high levels.

As LIHEAP is under the jurisdiction of the Family Support Administration, will the Office of Inspector General be looking into the price of fuel oil in December?

Mr. Kusserow: The HHS Low Income Home Energy Assistance Payments (LIHEAP) program generally relies on the Department of Energy (DOE) to collect information on the costs and uses of sources of energy. Any issues relating to inappropriate pricing would be reviewed by DOE and, when necessary, turned over to the Justice Department for further investigation.

However, the OIG is completing a review of the potential for LIHEAP benefits duplicating benefits provided by other programs. The preliminary results of that review show that, in some instances, recipients who reside in public or subsidized housing funded by the Department of Housing and Urban Development (HUD) or the Farmers' Home Administration (FmHA) are able to obtain LIHEAP benefits even though their energy needs have been fully covered by the HUD or FmHA programs. Such conditions divert funds from other needy individuals who may not receive any funding or receive less assistance than required.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary

Office of Inspector General

FY 1991 Budget — Page

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

Office of Inspector General

For expenses necessary for the Office of Inspector General, in carrying out the provisions of the Inspector General Act of 1978, as amended, [$50,488,000] *$51,500,000*, together with not to exceed $43,723,000, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein. (Department of Health and Human Services Appropriations Act, 1990.)

OFFICE OF INSPECTOR GENERAL

Amounts Available for Obligation

	1989 Actual	1990 Estimate	1991 Estimate
Appropriation:			
Annual..................	$46,430,000	$50,600,000	$51,500,000
Reduction pursuant to Public Law 100-436....	-557,000	---	---
Reduction pursuant to Public Law 101-166....	---	-112,000	---
Subtotal, adjusted appropriation.........	$45,873,000	$50,488,000	$51,500,000
Receipts and reimbursements from:			
Trust funds...........	39,520,000	43,723,000*	43,723,000
Unobligated balance lapsing................	-910,000	---	---
Subtotal, direct obligations............	$84,483,000	$94,211,000	$95,223,000
Reimbursements from:			
Health Care Financing Administration for Catastrophic Health Care...................	3,220,000	---	---
Social Security Administration for transfer of security and protection functions..	219,000	---	---
Other Departments and agencies for audit services performed.............	1,672,000	1,800,000	2,200,000
Total obligations........	$89,594,000	$96,011,000	$97,423,000

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* Reflects a reduction of $577,000 pursuant to P.L. 99-177.

OFFICE OF INSPECTOR GENERAL

Summary of Changes

1990 Appropriation..................................	$50,600,000
1990 Section 518 reduction..........................	- 112,000
Total estimated budget authority.................	$50,488,000
(Obligations)......................................	(94,211,000)
1991 Request..	$51,500,000
(Obligations)	(95,223,000)
Net change..	+$1,012,000
(Obligations)......................................	($1,012,000)

	1990 Base		Change from Base	
	Pos. (FTE)	Obligational Authority	Pos. (FTE)	Obligational Authority
Increases:				
A. Built-in:				
1. Effect of January 1991 pay raise for GS/GM employees.	1,455 (1,415)	$66,519,000	---	+$982,000
2. Career ladder promotions, merit pay bonuses, and within-grade increases.....	1,455 (1,415)	$66,519,000	---	+$742,000
3. Annualization of January 1990 pay raise................	1,455 (1,415)	$66,519,000	---	+$599,000
4. Increase in building space rent..........	---	$4,287,000	---	+$180,000
5. Share of Working Capital Fund costs..	---	$2,348,000	---	+$79,000
Total increases	---	---	---	+$2,582,000
Decreases:				
A. Program:				
1. Absorption of personnel-related increases...........	1,455 (1,415)	$27,692,000	---	-$1,570,000
Total decreases	---	---	---	-$1,570,000
Net change.........................			---	+$1,012,000

OFFICE OF INSPECTOR GENERAL

Budget Authority by Activity
(Dollars in thousands)

	FY 1989 Actual		FY 1990 Appropriation		FY 1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
Total obligations:						
OIG operations...	1,331	$89,594	1,415	$96,011	1,415	$97,423
Less:						
Transfer, RSDI/HI/SMI Trust Funds.....	---	39,520	---	43,723	---	43,723
Reimbursement, HCFA for Catastrophic Health..........	---	3,220	---	---	---	---
Reimbursement, SSA for security and protection functions.......	---	219	---	---	---	---
Reimbursement, other Federal sources for audit services performed.......	---	1,672	---	1,800	---	2,200
Plus:						
Lapse............	---	910	---	---	---	---
Available budget authority........	1,331	$45,873	1,415	$50,488	1,415	$51,500
Amount unavailable pursuant to Congressional action..........	---	557	---	112	---	---
Total budget authority........	1,331	$46,430	1,415	$50,600	1,415	$51,500

OFFICE OF INSPECTOR GENERAL

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Total number of full-time permanent positions.......	1,455	1,455	---
Full time equivalent employment................	1,415	1,415	---
Average ES salary...........	$76,848	$89,346	+$12,498
Average GS/GM grade.........	10.73	10.81	+.08
Average GS/GM salary........	$39,223	$40,106	+$883
Average grade, grades established by act of July 1, 1944 (42 USC 207) Commissioned Corps........	5.0	5.0	---
Average salary, grades established by act of July 1, 1944 (42 USC 207) Commissioned Corps........	$54,385	$56,086	+$1,701
Personnel compensation:			
Full-time permanent........	$54,797,000	$56,532,000	+$1,735,000
Other than full-time permanent...............	380,000	399,000	+19,000
Other personnel compensation............	1,006,000	1,035,000	+29,000
Special personal services payments.......	30,000	15,000	-15,000
Total personnel compensation.........	56,213,000	57,981,000	+1,768,000
Personnel benefits.........	10,223,000	10,811,000	+588,000
Benefits for former personnel................	83,000	50,000	-33,000
Travel & transportation of persons...............	5,022,000	5,022,000	---
Transportation of things...	252,000	260,000	+8,000

OFFICE OF INSPECTOR GENERAL

Budget Authority by Object (Cont.)

	1990 Appropriation	1991 Estimate	Increase or Decrease
Rent, communications and utilities:			
Rental payments to GSA....	$4,287,000	$4,467,000	+$180,000
Communications, utilities, miscellaneous charges....	2,706,000	2,706,000	---
Printing and reproduction...	471,000	421,000	-50,000
Other services..............	11,875,000	11,081,000	-794,000
Advisory and assistance services..................	(5,194,000)	(4,300,000)	(-894,000)
Working Capital Fund......	(2,348,000)	(2,427,000)	(+79,000)
All other.................	(4,333,000)	(4,354,000)	(+21,000)
Supplies and materials......	592,000	609,000	+17,000
Equipment...................	2,487,000	1,815,000	-672,000
Subtotal, obligations.....	$94,211,000	$95,223,000	+$1,012,000
Less:			
Trust funds transfer......	43,723,000	43,723,000	---
Total, Budget Authority.....	$50,488,000	$51,500,000	+$1,012,000

OFFICE OF INSPECTOR GENERAL

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Office of Inspector General:				
P.L. 95-452, as amended..	Indefinite	$50,488,000[a]	Indefinite	$51,500,000

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[a] Reflects reduction of $112,000 pursuant to section 518 of the Labor, Health and Human Services, and Education and Related Agencies Appropriations Act (P.L. 101-166).

OFFICE OF INSPECTOR GENERAL

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1982:				
Appropriation	$78,809,000	$78,809,000	$68,294,000	$68,911,000
Trust Funds	5,760,000	5,760,000	5,760,000	5,760,000
FY 1983:				
Appropriation	82,240,000	81,276,000	81,276,000	81,276,000
Trust Funds	6,000,000	6,000,000	6,000,000	6,000,000
FY 1984:				
Appropriation	98,263,000	97,237,000	97,163,000	97,163,000
Trust Funds	6,000,000	6,000,000	6,000,000	6,000,000
Pay transfers	1,474,000	1,474,000	1,474,000	1,474,000
FY 1985:				
Appropriation	58,491,000	53,391,000	58,491,000	53,391,000
Trust Funds	20,000,000	20,000,000	20,000,000	20,000,000
FY 1986:				
Appropriation	40,143,000	42,219,000	42,219,000	42,219,000
Sequester	-1,815,000	-1,815,000	-1,815,000	-1,815,000
Trust Funds	30,000,000	30,000,000	30,000,000	30,000,000
Sequester	-1,290,000	-1,290,000	-1,290,000	-1,290,000
FY 1987:				
Appropriation	29,716,000	30,016,000	29,716,000	30,516,000
Trust Funds	40,000,000	40,000,000	40,000,000	40,000,000
FY 1988:				
Appropriation	38,439,000	48,439,000	48,439,000	35,769,000[a]
Trust Funds	40,000,000	40,000,000	40,000,000	40,000,000
FY 1989:				
Appropriation	46,430,000	46,430,000	46,430,000	46,430,000[b]
Trust Funds	40,000,000	40,000,000	40,000,000	39,520,000

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[a] Includes $743,000 made unavailable for obligation pursuant to Section 512 of the Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 1988.

[b] Includes $557,000 made unavailable for obligation pursuant to Section 517 of the Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 1989.

OFFICE OF INSPECTOR GENERAL
(Cont.)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
FY 1990:				
Appropriation	49,498,000	49,498,000	50,600,000	50,600,000[c]
Trust Funds	43,300,000	44,300,000	44,300,000	44,300,000
Sequester	-577,000	-577,000	-577,000	-577,000
FY 1991:				
Appropriation	51,500,000			
Trust Funds	43,723,000			

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[c] Includes $112,000 made unavailable for obligation pursuant to Section 518 of the Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 1990.

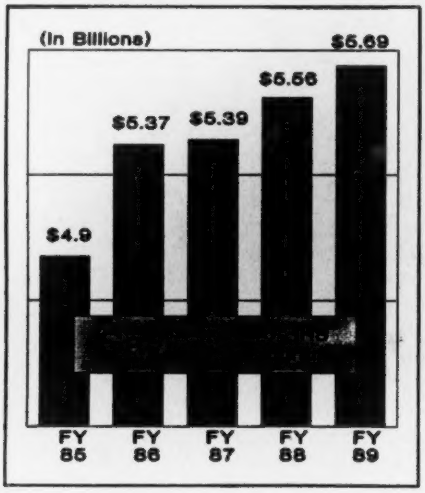
OFFICE OF INSPECTOR GENERAL

FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
FTE	Obligations	FTE	Obligations	FTE	Obligations
1,415	$94,211,000	1,415	$95,223,000	---	+$1,012,000

General Statement

The Office of Inspector General (OIG) has statutory authority and responsibility to protect the integrity of departmental programs and the health and welfare of beneficiaries of those programs. This authority is provided by Public Law 95-452, as amended.

The OIG ensures that HHS services are provided as intended, in an effective manner and at the lowest reasonable cost. Through its oversight, prevention and enforcement efforts in FY 1989 alone, the OIG obtained over $5.6 billion in settlements, fines, restitutions, receivables and savings. For every Federal dollar the Congress appropriated or transferred to the OIG in FY 1989, we generated at least $66 in savings to HHS programs. As a result of our performance, the General Accounting Office in 1987 identified the HHS OIG as one of the three most productive entities in the Federal sector. The OIG has also been recognized by the American Productivity Management Association as a top Federal achiever.



The OIG activities result in ever-increasing savings to HHS programs.

The resources we are requesting for FY 1991 will sustain the growth of OIG accomplishments and the return on funds invested.

The resources requested will enable us to increase our emphasis on departmental management activities to ensure effective internal controls within HHS's many programs and to target new activities in the Public Health Service and in the Social Security, Medicare and Medicaid programs. Planned OIG activities will address many critical issues including: monitoring the implementation of the recently enacted resource-based relative value scale for physician reimbursements; eliminating incorrect billings to Medicare in violation of secondary payer provisions; increasing our sanction activities; and continuing our oversight, audits and inspections of the Food and Drug Administration programs. Rather than requesting additional FTEs for FY 1991, we will accomplish our objectives by shifting existing resources.

The FY 1991 budget proposes $95,223,000 in total obligational authority, of which $51,500,000 is requested in budget authority and $43,723,000 is proposed for transfer from HHS trust funds. The total request represents a $1,012,000 increase above the FY 1990 level, i.e., only a 1.1 percent increase.

Funding levels (includes amounts available for obligation from both budget authority and trust fund transfers) for the past five fiscal years were as follows:

1986	$69,114,000
1987	$70,516,000
1988	$73,322,000
1989	$85,393,000
1990	$94,211,000

Actual and Estimated Accomplishments
(Dollars in billions)

	1989 Actual	1990 Estimate	1991 Estimate
Dollar Savings:			
Through recoveries, fines, restitutions, penalties and other savings	$5.69	$5.8[a]	$5.9
Successful Prosecutions and Administrative Actions:			
Judicial prosecutions	1,278	1,285	1,292
Administrative actions through monetary penalties and exclusions from Medicare/Medicaid	846	873	899

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[a] Includes $147 million as stipulated by the Senate Committee on Appropriations.

Functions

The OIG performs a number of vital oversight and monitoring functions within HHS. One of OIG's primary functions is acting as the audit component for the Department. In that capacity we perform comprehensive audits of the incurred and projected costs and expenditures of the Department's programs and operations. We also lead and oversee audits of institutions, grantees, and contractors who receive Federal funds through HHS appropriations and trust funds and report discrepancies to the Secretary and the Congress. Where funds or programs have been misused, we obtain restitution and sanctions or seek prosecution.

To assist the Secretary in carrying out the Federal Managers' Financial Integrity Act (FMFIA), the Inspector General's staff studies programs and processes which have the highest risk for loss, both in terms of tax dollars and of service to the public. We identify the Department's vulnerability in internal controls and make recommendations to strengthen controls where a significant potential for loss exists. We report significant problems to the Secretary and the Congress.

While all managers are responsible under the FMFIA for identifying potential for loss, for establishing and assessing controls and strengthening safeguards where needed, the OIG provides the leadership, oversight and guidance needed to ensure these systems of checks and balances are in place and working. When a high potential for loss is inherent in a program or process, we provide the objective and independent perspective needed to give reasonable assurance to the Secretary and the Congress that vulnerabilities to losses are being minimized.

The OIG also conducts short-term evaluations and inspections that focus on issues of concern to the Department, the Congress and the public. The results of this work generate rapid, accurate and up-to-date information on the efficiency, vulnerability and effectiveness of departmental programs.

In addition to preventing abuses, the OIG has major enforcement responsibilities. Our investigators develop cases of actual fraud, waste, abuse and mismanagement resulting from high risk conditions; impose various civil and administrative remedies; and, in the case of fraud, work with the Department of Justice to prosecute those who violate the provisions and conditions of, or who thwart the effective administration of, HHS programs. Offenders include HHS employees, employees of State and local governments, grantees, contractors, beneficiaries and other recipients of funds, and providers and suppliers under Medicare and Medicaid.

The OIG also participates in interagency efforts to prevent losses to and abuses of Federal programs in general. Examples include:

- Providing audit services to small Federal agencies.
- Reviewing State and local governments' applications of cost principles which affect charges to Federal programs.
- Assisting Federal, State and local government entities in identifying, locating, investigating, and prosecuting individuals who have used Social Security numbers in a broad range of illegal activities (e.g., licensing and income tax fraud, welfare fraud, drug trafficking and racketeering as well as fraud in programs such as student loans, food stamps and unemployment compensation).
- Leading and participating in task forces coordinated by the President's Council on Integrity and Efficiency (PCIE) which address developing programmatic or management approaches for identifying the potential for fraud, abuse or mismanagement.

Organization

The Office of Inspector General has three components:

- Office of Audit Services
- Office of Investigations and Enforcement
- Office of Evaluation and Inspections

These components are structured to focus on and assist the programs and operations of the major HHS operating divisions.

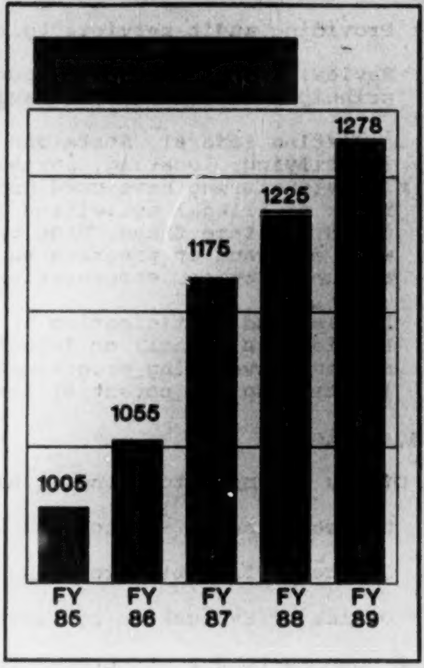
In addition to the components, the OIG's Office of Management and Policy provides services for each OIG component and the more than 50 regional and branch offices. This includes legislative and regulatory review, administrative policy, Freedom of Information Act and Privacy Act services, and production of the OIG Semi-Annual Report.

PROGRAM ACCOMPLISHMENTS

Each year the OIG reduces the potential Federal deficit by billions of dollars. This reduction is accomplished by preventing program costs which are inflated by fraud, waste, abuse and mismanagement and by increasing the effectiveness of departmental programs. The continuous increase in savings realized from OIG activities and implementation of OIG recommendations year after year is clear testimony to the effectiveness of the Inspector General's comprehensive program of audits, inspections and investigations.

In addition to the $5.6 billion in monetary savings realized in FY 1989, our investigations led to 1,278 convictions of individuals and entities who engaged in crimes against HHS programs. Also, we imposed administrative sanctions against 846 health care providers and suppliers or their employees.

The rise in successful judicial prosecutions from 165 convictions in 1981 to 1,278 in 1989, represents an increase of 675 percent. This chart illustrates the increase in successful prosecutions resulting from OIG's investigations since 1985.



OPERATIONAL HIGHLIGHTS

FY 1989 Accomplishments

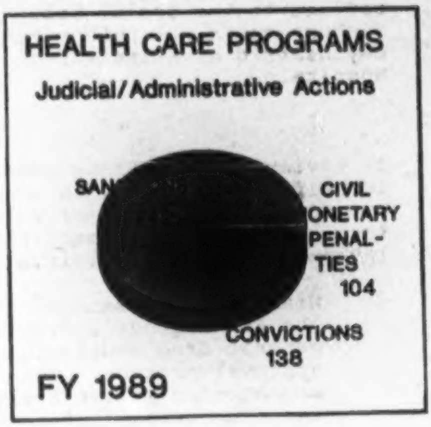
The following section highlights significant FY 1989 accomplishments resulting from OIG audits, inspections and investigations. Some of these examples are among the 19 significant weaknesses in management's internal controls identified by the OIG and reported in our April 1, 1989 - September 30, 1989 semiannual report. The semiannual reports provide additional information on completed projects which are only briefly mentioned in this document.

HCFA

Actions taken by HCFA on OIG findings resulted in savings of nearly $3.3 billion in the Medicare and Medicaid programs. An additional $162.6 million in program expenditures were questioned.

As depicted in this chart, the OIG completed 984 successful actions against health care wrongdoers who violated health care program provisions.

These actions resulted in $60.1 million in fines, savings, restitutions and settlements.



- In our review of HCFA's operations, the OIG identified several weaknesses in management controls which have resulted in or could result in losses in dollars and/or service to the public.
  - The OIG found that Medicare was paying costs that private insurers should be paying and concluded that the absence of complete patient coverage information is the primary cause for inappropriate Medicare benefit payments of between $400 - $900 million annually.
  - At least $4.5 million in procurements were made by individuals in HCFA who did not have contracting authority, and $13 million in expenditures were made by means of memoranda of understanding which is not an authorized method of procurement. These persistent violations of the Federal Acquisition Regulations are a result of inadequate HCFA management controls.
  - OIG work led to savings of more than $25 million and a recommendation to consider terminating Medicare coverage of seat lift chairs as durable medical equipment.
- An OIG study found that coding errors related to nine specific diagnosis related groups (DRGs) resulted in estimated Medicare losses of $474.3 million annually. The OIG made recommendations to HCFA to educate hospitals and physicians about proper coding procedures.

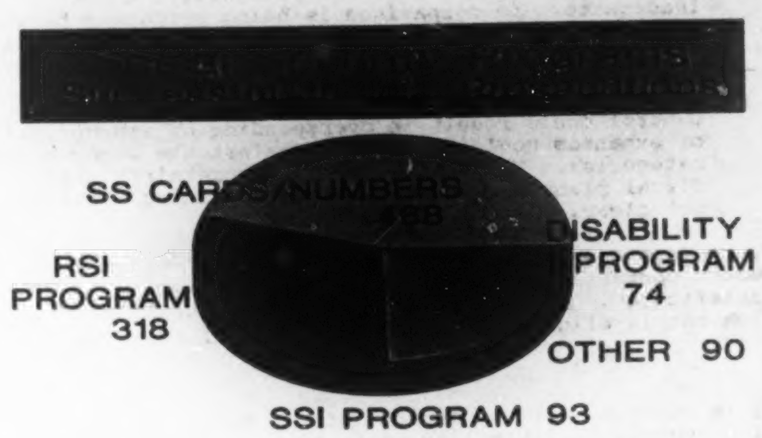
- In a study of eight States, losses in excess of $17 million were found because of a Medicaid policy which does not conform to the Social Security Act. This policy is causing disbursements not authorized by law for inpatient psychiatric benefits for children in facilities other than hospitals.

PHS

- In reviewing operations within PHS during FY 1989, the OIG identified weaknesses in management controls which are creating a high level of vulnerability. We assessed these issues and made recommendations to PHS for strengthening internal control mechanisms.
  - Weaknesses in management controls allowed employees in the FDA's generic drug division to receive payoffs from generic drug manufacturers to alter the generic drug approval process. The implications for possibly endangering public health reduced public confidence in the drug certification and testing processes. As a result of the absence of safeguards, a fraudulent environment was fostered, and several individuals have pled guilty to conspiracy.
  - Improved controls in the Indian Health Service (IHS) would result in savings of $18 million in hospital construction costs and $3.8 million annually in operating costs. The IHS lacks adequate management controls to correctly assess the appropriateness of decisions related to construction of medical facilities.
  - A lack of safeguards allowed a situation in which officials in IHS inappropriately used funds intended for health care delivery for travel related to regular conferences. Also, there were instances of IHS officials submitting fraudulent travel vouchers. Staff whose duty it was to review and audit the vouchers were afraid to question the claims.
- The OIG conducted a follow-up audit of the NIH small purchase system, DELPRO, to assure that an agreed upon corrective action plan is being implemented. We reported, as requested, to the Senate Appropriations subcommittee that NIH could save between $10 million and $15.3 million annually when current reforms are implemented.

SSA

Investigations of fraudulent activities related to SSA's programs resulted in a total of 1,043 convictions during FY 1989.



- In reviewing SSA's operations in FY 1989, the OIG assessed several vulnerabilities and made recommendations for reducing the risk to loss of funds and/or quality of service. The following are significant weaknesses identified by the OIG in FY 1989.

  - Over 10,000 SSA employees have direct access to the computer system which establishes benefit payment records. These employees control virtually all aspects of claims processing via SSA's modernized claims system (MCS) with little or no separation of duties or compensating controls. This lack of safeguards creates an environment which is vulnerable to fraud and error in payments to RSDI beneficiaries.

  - The amount to be credited to the trust funds based on earned income figures could vary by as much as $3 billion depending on whether the IRS or the SSA wage figures are used. Efforts to reconcile the difference between IRS and SSA wage records have reduced the initial difference of $58 billion, but as much as $33.2 billion in wage data remain unresolved. Because the SSA does not have adequate controls to correctly determine and record new wage amounts, the amount to be certified for credit of taxes to the Social Security trust funds is in doubt.

  - The OIG found management controls to ensure an accurate accounting of SSA's year-end obligations to be inadequate. No comparison is being performed between estimated and actual obligation amounts; the process for estimating year-end obligations is not timely; and proper documentation to support reductions in obligation amounts does not exist. This lack of control could result in overspending of appropriations, or expenses could be charged against the wrong budget categories. The deficiency also undermines SSA's fiscal planning since the amount of funds available is not clear.

- We conducted a national survey of 6,000 individuals who had recent contact with SSA to determine the level of client satisfaction. We found that satisfaction continues to be high but is slightly lower than previously reported.

FSA

The OIG is studying various aspects of all FSA programs, reviewing recipient eligibility, determining the equity of benefits, and evaluating the economy and efficiency of FSA's operations.

- During FY 1989, the OIG recommended recovery of $5.4 million in questionable grantee charges, and FSA programmatic savings ensuing from OIG actions and recommendations totaled $937 million.

- In a joint study with the Office of the Assistant Secretary for Management and Budget, the OIG found a general absence of FSA management attention to the grant process for the Office of Community Services discretionary grants. The lack of established policies and procedures and internal administrative controls amplify risks when projects selected do not effectively contribute to the program, when grantee performance is inadequate, and when contract close-out actions are not completed in a timely manner. The FSA must improve controls to provide reasonable assurance that vulnerability to inherent risks is being minimized and to demonstrate that the program's statutory objectives are being met. The OIG reported this finding as a significant weakness in internal controls.

- The OIG performed a statistical match of child support enforcement tax intercept data with Federal employee data from the Office of Personnel Management, the United States Postal Service and the Department of Defense to determine the extent of increased collections possible at the Federal level if wage withholding for child support were in place in all States. Preliminary data disclosed that approximately

70,000 Federal employees were in arrears on child support payments totaling $269.4 million.

- Savings of $570 million will result from implementation of the OIG's recommendations for States' review of child support cases and, where appropriate, issuance of new orders or modifications of existing ones. An OIG inspection examined ways of identifying absent parents who were able to contribute more to their children's support. We focused on cases with no or low support orders and recommended contacts with IRS. A similar inspection identified ways to increase child support collections for children not receiving AFDC payments.

HDS

The OIG has completed various audits, inspections, and investigations related to HDS programs. Recommendations have been made to strengthen management controls in high-risk processes.

- The OIG found that in several HDS components, HDS policies were not being followed in awarding discretionary grants. Consequently, effective oversight of grant funds was seriously flawed. Specifically, awards were made out of rank order without required written justifications; written justifications contradicted peer review findings without explanation; and justifications were unsigned. Many were so vague and brief that the rationale for the decision was not clear. The OIG reported this finding as a significant weakness in internal controls.

- Another review determined that HDS officials had not uniformly followed HDS policies which require grantees under the coordinated discretionary funds program to demonstrate a potential for self-sufficiency once Federal funding has ended. The HDS had no procedures to determine whether grantees actually do become self-sufficient after Federal funding ceases.

FY 1990 Objectives

HCFA

The OIG has over 175 separate inspections, investigations and audits planned for FY 1990 on HCFA's management of the Medicare and Medicaid programs, on specific program issues and on beneficiary services.

- In both FY 1990 and FY 1991, we will survey beneficiaries to determine their satisfaction with various aspects of the Medicare program, including claims processing and the availability of information. A trend analysis will be performed.

- Many studies planned for hospitals participating in the Medicare program pertain to the prospective payment system, diagnosis related groups and billing of capital cost items. One study will analyze the method used to compute the Hospital Market Basket Index and will evaluate alternative approaches to update payment rates to hospitals. The Index has been challenged since it only measures the rate of change in hospital prices and does not recognize changes associated with reduced length of stay.

- The OIG will monitor implementation of the resource-based relative value scale (RVS) that was included in the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239) which will alter the way in which physicians will be reimbursed under Medicare.

- The OIG will audit selected insurance companies and fiscal intermediaries to determine if they are complying with Medicare secondary payer provisions and to identify funds which were inappropriately paid by Medicare.

- Reviews of physician services will assess the existence of kickbacks for referrals, unnecessary procedures and known trends of abuse by certain types of physicians (e.g., anesthesiologists, podiatrists, and ophthalmologists).

- Inspections, audits and investigations will assess the services of and the extent of program abuse by ambulance services, home health agencies and suppliers of durable medical equipment. One review will determine the savings which would be available to Medicare if hospital ambulance providers were reimbursed on a reasonable charge basis instead of a reasonable cost basis.

- We will review the utilization of payment of procedures such as use of ophthalmic lasers, radiology services, total parenteral nutrition and pulmonary therapy. We will also assess whether and to what extent Medicare carriers are covering obsolete procedures.

- The billing practices of various types of laboratories will be reviewed, and pharmacies will be checked for compliance with Medicaid drug regulations.

- We will review participating nursing homes to assess quality of care and patient abuse as well as incorrect billing practices. We will evaluate the effectiveness of HCFA's new nursing home survey and certification processes for the Medicaid program.

- We will review Medicare carriers, intermediaries and peer review organizations to ensure their contracts are being fulfilled as intended and standards are being met and applied uniformly.

PHS

Over 60 OIG initiatives are planned on PHS management and program issues for FY 1990.

- An inspection of public cholesterol screening programs will assess quality assurance, hygiene, and counseling and referral for medical follow-up. A prior OIG report found deficiencies in these areas. As requested by the Congress, we will also examine trends and adequacy of regulatory oversight of mobile laboratories which perform various other tests and services. The study will cover types of testing performed, prevalence of testing, training of personnel and quality control.

- We will assess the likely effects of the vaccine compensation liability program on the cost and availability of vaccines, on the cost of vaccinations programs, and on the compensation available to injured claimants.

- The PHS spends over $20 million annually for overtime work. We will determine the adequacy of PHS internal controls on overtime and attendance reporting and the adequacy of justifications for expenditures for overtime and compensatory pay. Deficiencies were noted in prior studies.

- We will evaluate PHS's effectiveness in carrying out prevention and education activities related to acquired immune deficiency syndrome (AIDS) and human immunodeficiency virus (HIV). We will also determine whether funding for AIDS/HIV efforts is duplicative and whether funding for related drugs and drug research is being expended in an appropriate and efficient manner.

- The OIG will study PHS's controls to prevent conflict of interest in clinical trials, including controls to prevent financial gain by NIH researchers in the development of drugs for marketing.

- We will examine the cost and effectiveness of various alcohol and other substance abuse prevention and treatment programs and will investigate individuals and firms involved in the illegal possession and distribution of steroids, counterfeiting of drugs and drug diversion.

- Investigations of various problems in the Indian Health Service (IHS) will continue, including travel-related fraud, weaknesses in controls over receipt and review of contractors' expenditure reports, weaknesses in financial management, and weaknesses in monitoring payments made to contract care providers.

- The OIG will continue to evaluate the Food and Drug Administration's (FDA) policies and procedures for processing and approving generic drug applications.

SSA

- The OIG will continue to investigate and seek prosecution of individuals who misuse Social Security numbers (SSNs). Numerous convictions are obtained every year for abuses related to using false SSNs to obtain loans and grants, visas and passports, firearms and various benefits under Federal, State and local programs. There are also problems with counterfeiting SSN cards to create false identities.

- The Congress, employee unions and advocacy groups continue to express concerns that staff reductions at SSA have adversely affected the quality of service SSA provides to its clients. We will continue to conduct surveys in both FY 1990 and FY 1991 to monitor client satisfaction with SSA services.

- We will conduct annual reviews of SSA's implementation of FMFIA. This project will be coordinated with our review and evaluation of SSA's financial internal controls and an audit of SSA's financial statements.

- The OIG will review procurement activities delegated by SSA's Office of Acquisition and Grants to various SSA components. We will assess the degree to which these procurements are in compliance with regulations.

- We will assess various aspects of SSA's program management including: earnings recorded on SSNs held by children under the age of 14, questionable retirement claims, offsets of disability benefits by workers' compensation, the effectiveness of continuing disability reviews, and the costs of the disability adjudication process.

- Through audits and inspections we will look at the accuracy of district office systems input, the effectiveness of system modernization efforts, and the impact of folderless processing on claims integrity.

FSA

- The OIG will perform a series of surveys to determine if amendments to the Social Security Act contained in the

Family Support Act are being implemented appropriately and timely by the applicable Federal or State agencies. An analysis of the Act shows that there are 21 major areas that require action to ensure that implementation of the new law is accomplished within prescribed time frames.

- We will examine the Office of Community Services grants administration process with emphasis on awards. The study will focus on the Urban and Rural Community Economic Development grants which provide employment and business development opportunities in low income areas.

- During FY 1990, the OIG will study various aspects of the AFDC program. We will determine whether to recommend a change in the law to reduce Federal financial participation in States where the actual program administrative cost is lower than the current minimum Federal contribution rate. Also, we will determine the benefits of leasing rather than purchasing family assistance management information systems, evaluate the adequacy of State AFDC collection and credit activities, and review State practices for writing off AFDC overpayments.

- Another project will determine the status of the congressional moratorium on collection of erroneous AFDC payments and identify reasons for the rise in the national payment error rates.

- An OIG inspection will examine the Job Opportunities and Basic Skills (JOBS) training program in terms of FSA's methods of skills testing, the effectiveness of program implementation by the States, and best practices which can be adopted from similar programs.

- We will continue to review child support orders to determine whether amounts are appropriate. We will perform computer matches to identify Federal employees in arrears on support payments, seek opportunities to increase medical coverage of children through absent parent policies, and make improvements to the wage withholding process. Further, we are examining internal controls established by State agencies for managing the receipt, distribution and reporting of child support collections.

- We will audit States' use of Federal funding under the Refugee Resettlement program and inspect implementation of the State Legalization Impact Assistance Grants (SLIAG) to identify potential problems early in the process and to identify good practices which all States could share.

HDS

- o The Foster Care program (title IV-E) provides over $830 million for the care of 115,000 children who must live outside their homes. The OIG will review the program to determine whether claimed costs for maintenance payments were made to ineligible recipients; whether States have improved their practices in making eligibility determinations; and whether HDS reviews of eligibility determinations are effective.

- o We will review the HDS process for resolving audit findings related to Head Start grantees. We will determine why certain internal control findings, i.e., payroll systems, cash management, the accounting system, and financial reporting, continue to be identified as problems by independent auditors.

- o We will examine the potential of using the Medicaid Management Information System to identify abused children in the Medicaid population.

- o We will review State standards in effect to address the growing incidence of child abuse and neglect and examine the special problems and needs of children affected by substance abuse.

- o Head Start program reviews will include determining: grantee compliance with health and safety requirements; the cost and effectiveness of home-based programs compared with center-based programs and the adequacy of HDS' monitoring of Head Start programs. Our efforts will also include reviewing Head Start providers to identify the best program management practices and evaluating the effectiveness of the Head Start cost management system.

FY 1991 Objectives

HCFA

- o We will examine supplier billing practices for durable medical equipment to determine whether certain practices such as delayed billings for rental use may circumvent the carrier rent/purchase determination.

- o The OIG will monitor the implementation of physician payment reforms and billings under Medicare as secondary payer provisions. These initiatives are discussed in detail in the Rationale section of this document.

- o The OIG will evaluate HCFA's controls which ensure that errors detected in Medicare claims by computer edits are corrected by intermediaries. Intermediaries have accumulated a backlog of claims with millions of unresolved questions. We will determine the effectiveness of HCFA's oversight and will project the effect of uncorrected errors on the Medicare program.

- Hospital reviews for FY 1991 will include indirect medical education reimbursements, excessive interest charges on capital costs items, outlier payments based on inflated charges and global fee reviews.
- Hospital reviews will also include duplicate costs in prospective payment rates, improper billing of nonphysician tests and services, and profitability of small rural hospitals.
- We plan to review Medicare coverage of unnecessary chest x-rays, multiple surgical procedures, routine use of abdominal ultrasound procedures and carotid phonoangiography.
- We will conduct audits and inspections directed at the use of chemical restraint of patients in nursing homes, certificates of need for psychiatric patients under 21, preventive child health programs, costs of Acquired Immune Deficiency Syndrome (AIDS) to Medicare and Medicaid and the benefits of volume purchases of goods and services under Medicaid.
- Processes will be reviewed related to heart transplant reimbursements, oversight of claims correction, home health agency cost limits and claims processing and prepayment reviews by carriers.
- Audits will assess HCFA's cost report data bases and its implementation of the common working file. Additional studies are scheduled pertaining to carriers, intermediaries, and peer review organizations.
- The OIG will study payments for utilization of magnetic resonance imaging (MRI) and other selected high technology diagnostic procedures to determine whether other less costly procedures could have been used effectively.

PHS

- We will monitor the use of Federal funds by various entities for prevention, education and surveillance related to the AIDS epidemic. Because funding levels are increasing dramatically and will be used by organizations which never before received Federal funds, we will audit these activities. Funding through the Centers for Disease Control currently exceeds $380 million annually.

- The NIH uses a data base to support a paperless system that processes more than $345 million in procurement actions and provides accounting supports for its more than $6 billion appropriation. We will evaluate NIH's implementation of security features to limit and control the types of transactions that can be entered from specific terminals.

- We will determine whether PHS and its divisions have established adequate controls to identify, evaluate and monitor the funding of or to terminate funding of research organizations.

- The OIG will review the administration of programs implemented under the Anti-Drug Abuse Act of 1986 in terms of effectiveness and best use of funding.

- We will study quality of care in IHS hospitals, the use of Medicare and Medicaid reimbursements to upgrade facilities, and the IHS response to the Indian Self-Determination Act and will determine if States are paying an appropriate share of the expenses of caring for their Indian citizens.

- The OIG will study the ramifications of prescription drug advertising, the implementation of the Orphan Drug Act, and the dispensing of less-than-effective drugs.

- Other issues include: the role of State nursing boards in licensing and discipline; long term care in rural areas; implementation of the national practitioner data bank; and the method of payment for prescription drugs purchased under Federal programs.

SSA

- The effect of the implementation of workload changes on operations and staff utilization in SSA's program service centers (PSCs) will be assessed. System modernization and extensive final adjudication of claims by field offices are expected to change many functions formerly associated with PSCs.

- An OIG audit will determine whether the policies and procedures for investing trust fund reserves are adequate to ensure that interest income is maximized. The OIG believes there may be at least three opportunities to increase interest income over current methods.

- We will determine whether there are inequities and inefficiencies in the disability determination process and will study the rationale for providing lifetime benefits to childhood disability beneficiaries from the RSDI trust funds when other programs may suffice.

- Another study will focus on the rationale for combining family maximums in computing RSDI payment rates and will evaluate internal controls in the returned check action program system.
- Other audits and inspections will address: inconsistent reversal levels on disability appeals, fees paid for medical evidence, funding to States to conduct continuing disability reviews, and the frequency of scheduling of continuing disability reviews.

FSA

- The OIG will conduct a series of inspections and audits related to FSA's management of the Job Opportunities and Basic Skills Training (JOBS) program. This program was established under the Family Support Act and is a top agency priority.
- We will continue to assess the compliance of States with the 1984 Child Support Enforcement Amendments which requires a Federal, State and local cooperation to locate absent parents, establish paternity and initiate and enforce support orders.
- We plan to review FSA's internal controls to ensure that State charges to the Federal Government for the administrative expenses for the AFDC program are correct and are managed consistently in regional offices.
- We will focus other inspections and audits on: the effectiveness of State efforts to help refugees become self-sufficient, problems in allocating and allowing costs under the Refugee Resettlement program, homelessness, and duplication of payments under AFDC and the low income home energy assistance program.

HDS

- An OIG audit will focus on cash management of social services block grants to determine the consequences of a practice that permits States to use Federal dollars first and State funds second to pay expenses, as opposed to requiring cash draw downs in relation to the Federal-State matching ratio. We will check the adequacy of HDS's reviews of social services block grants and its management of grantee fund balances.
- We will survey the adequacy of State and county procedures

for establishing and monitoring the propriety reimbursement rates to providers of inhome services to the elderly under title III of the Older Americans Act.

- **The OIG will examine the criteria States are using to allocate Federal funds for preventing child abuse and neglect and their utilization of hotlines and other methods of tracking, controlling and investigating abuse and neglect.**

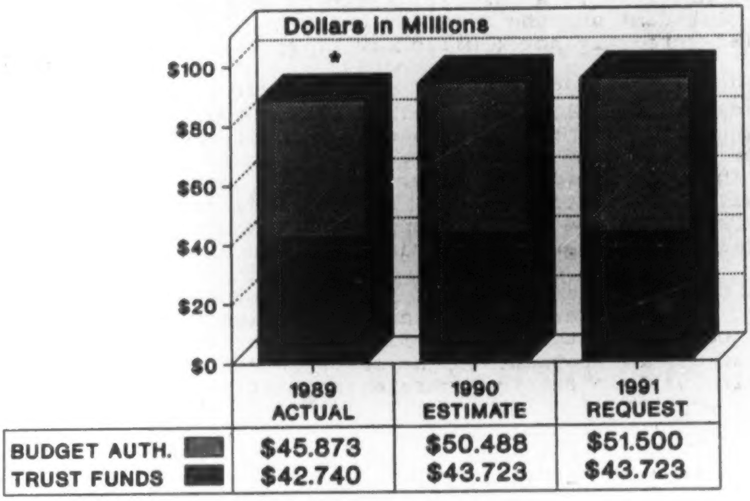
- **We will conduct a comprehensive survey of the foster care program to evaluate overall program effectiveness. We will examine the adequacy of training given to foster parents who care for children with developmental disabilities, study impediments to early adoption of foster children and identify measures to improve recruitment and retention of foster parents.**

RATIONALE FOR THE FY 1991 BUDGET REQUEST

The OIG is not requesting additional FTEs for FY 1991. Rather, we will accomplish our objectives by a shifting of current resources. The 1.1 percent increase in the dollar amount for FY 1991 provides only for a portion of the mandatory increases in salaries of our employees. We are absorbing the full cost of these increases through non-payroll accounts, especially in the Other Services category. We will shift resources away from Medicare catastrophic health care program areas to new activities authorized by the Omnibus Budget Reconciliation Act of 1989 (Public Law 101-239). Specifically, we will increase emphasis on the following critical areas:

- Medicare as secondary payer.
- Physician payment reform.
- Sanction support enforcement.
- Increased monitoring of PHS programs as described in the FY 1991 objective section above.
- Special audits and inspections to determine the appropriateness of Medicare rates and payments for ambulance services, durable medical equipment, portable x-ray services, hospice services, assistants at surgery, hospital outpatient departments and anesthesiologists and radiologists.

The following chart reflects OIG's request by budget authority and trust fund transfers:



TOTAL OBLIGATIONS BY SOURCE

	1989 ACTUAL	1990 ESTIMATE	1991 REQUEST
BUDGET AUTH. ▨	$45.873	$50.488	$51.500
TRUST FUNDS ■	$42.740	$43.723	$43.723

* For comparability, includes $3.22 million in trust funds which were treated as a reimbursement in FY 1989 and were included in the FY 1990 trust funds.

Medicare as Secondary Payer (MSP)

Since 1980, the Congress has enacted a number of statutory provisions making Medicare secondary payer to other insurers in certain situations. Several of these changes were the result of studies conducted by the OIG and the General Accounting Office.

Numerous OIG studies have shown that despite legislation making Medicare the secondary payer, Medicare continues to be billed as the primary payer. A recent OIG re-analysis of 1985 HCFA data and 1985 OIG studies indicate that the Medicare program loses a total of $509 - $835 million each year.

This is consistent with HCFA's estimate of $400 - $900 million. Although HCFA has implemented a number of administrative actions designed to improve the identification of MSP cases, none has proven completely effective.

In September 1989, OIG determined HCFA does not have adequate internal controls to assure the collection of timely and accurate information on the insurers of Medicare beneficiaries who are liable as primary payers and to prevent significant Medicare overpayments. The OIG believes that the lack of adequate internal controls is a material weakness and should be reported to the President and the Congress under the Federal Managers' Financial Integrity Act (Public Law 97-255).

In FY 1990 and FY 1991, the OIG will: audit selected insurance companies and fiscal intermediaries to determine if they are complying with MSP provisions and to identify funds which were inappropriately paid by Medicare, survey Medicare beneficiaries concerning their secondary payer resources, and support criminal and civil investigation cases. We also will assess contractor procedures to ensure that all appropriate Medicare payments are identified and processed in a timely and accurate manner.

We will conduct data matches of Medicare payment records with the business files of various insurance companies and plan a 100 percent computer match of HCFA files against SSA files to calculate MSP overpayments. The labor intensive matching activities will in return generate exponential savings to the Medicare program.

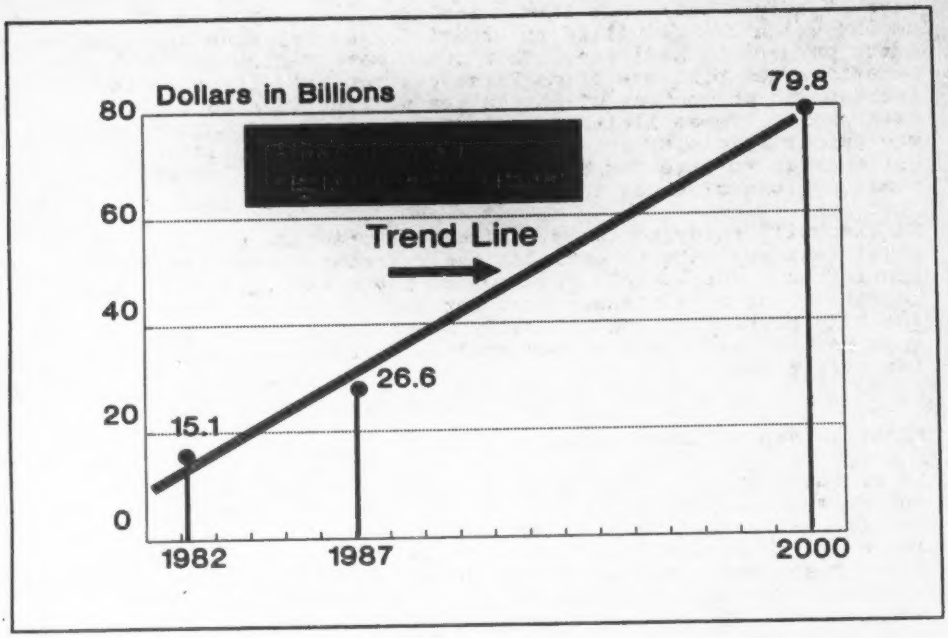
Physician Payment Reform

Expenditures for physicians' services constitute the second largest component (after hospitals) of Medicare spending and the third largest Federal domestic program. From 1978 to 1988, Medicare physicians' expenditures increased at annual compound rates of 16 percent. During the second five years of the period, the total allowed charges for physicians' services grew by 76 percent. At the present rate, without physician payment reform, spending for physicians' services could triple by the year 2000.

It is projected that about the year 2005, Medicare spending could exceed spending on Social Security, in part because of the rapid increase in physician spending.

The most important aspect of the current physician payment system is that it gives physicians and beneficiaries little or no incentive to control the volume and intensity of services. This is a key force driving the escalation of charges for physicians' services to Medicare.

The physician payment reforms are intended to slow the uncontrolled escalation of physician charges to Medicare while ensuring that beneficiaries maintain reasonable coverage for needed services.



The reform initiative is a three-part plan which includes:

- a resource-based relative value scale (RVS) fee schedule, to be phased in over five years beginning in calendar year 1992;
- protections for beneficiaries against overcharging by physicians; and
- performance standards (growth targets) to control volume.

The proposed Medicare fee schedule is composed of a relative value scale based on resource costs and a conversion factor, adjusted by a geographic multiplier.

We will study methods for dealing with geographic variances in practice costs. The geographic multiplier concept relates to the cost of providing medical services rather than the cost of living in different geographic areas. We will inspect carrier differences and recommend that HCFA make adjustments in reimbursement patterns where it appears wide deviations are not justified and are causing losses to the Medicare program.

Payment reform will most likely include limits on the balance amount which can be billed to beneficiaries for covered services after payment by Medicare. This could save Medicare beneficiaries billions of dollars, particularly if there is an increase in the number of physicians willing to accept assignment. These limitations could, however, affect physician choices of specialty and practice location and physician willingness to care for Medicare patients. We will study the ramifications of these issues.

We also will study potential changes in practice patterns physicians may make to optimize their incomes under the reform provisions. For example, fee reform may make office visits more lucrative for physicians. Computerized reviews will help identify physicians who radically alter their practice styles when reimbursement incentives shift. Further analysis may identify fraud.

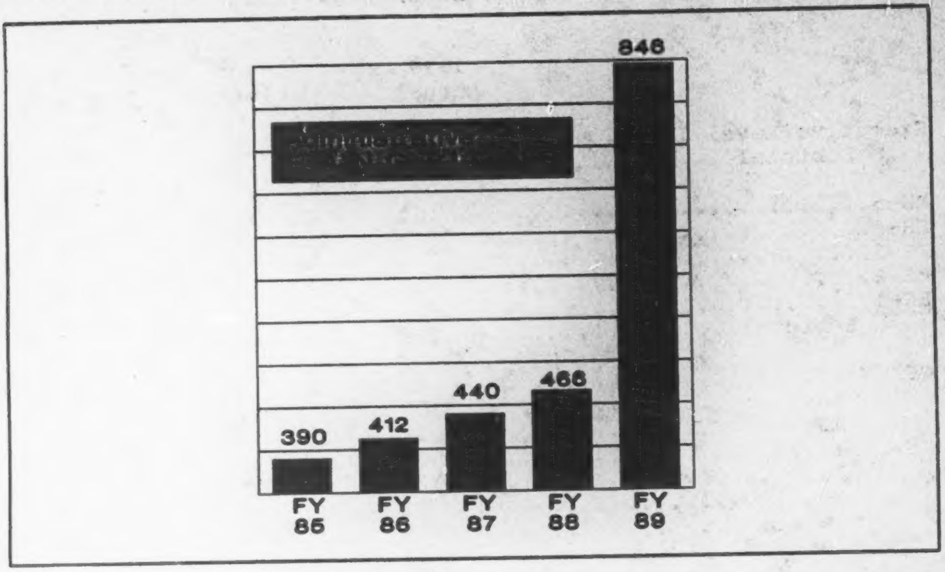
Sanction Support Enforcement

In recent years the Congress has vastly expanded the OIG's enforcement responsibilities. Recent authorities tend to be substantially more complicated and pertain to more sensitive issues, such as quality of care, which require highly specialized human resources. Resources will be diverted from other activities to ensure a minimum level of support for these authorities.

Enactment of the Medicare and Medicaid Patient and Program Protection Act (Public Law 100-93) incorporated a wide range of authorities to exclude individuals and entities from the Medicare, Medicaid, Maternal and Child Health and Block Grants to States for Social Services programs. Exclusions can now be made for conviction of fraud against a private health insurer, obstruction of an investigation and controlled substance abuse, as well as for revocation or surrender of a health care license as a result of convictions. These authorities are in addition to the mandatory exclusion authorities for those convicted of program-related crimes or patient abuse.

During FY 1989, the OIG successfully imposed 846 sanctions, in the form of exclusions or monetary penalties, on individuals and entities for engaging in fraud or abuse of the Medicare and Medicaid programs and/or their beneficiaries.

The following chart illustrates the increase in the OIG's sanction activities since 1985 and demonstrates the need for additional FTEs to carry out this activity. In FY 1989, we nearly doubled our sanction activities over the prior year. This was due to the large number of new sanction authorities legislated by the last two Congresses. We anticipate that this level of activity will continue to increase and, therefore, require additional resources.



OFFICE OF INSPECTOR GENERAL

Detail of Permanent Positions

	1989 Actual	1990 Estimate	1991 Estimate
Executive Level IV	1	1	1
Subtotal	1	1	1
ES-5	1	1	1
ES-4	2	2	2
ES-3	4	5	5
ES-2	5	5	5
ES-1	1	1	1
Subtotal	13	14	14
GS/GM-15	43	46	46
14	137	140	140
13	297	300	300
GS- 12	328	335	335
11	139	120	120
10	2	1	1
9	125	150	150
8	13	14	14
7	172	152	152
6	51	55	55
5	78	72	72
4	37	40	40
3	7	9	9
2	3	3	3
Subtotal	1,432	1,437	1,437
Grades established by Act of July 1, 1944 (42 USC 207) Commissioned Corps	3	3	3
Total permanent positions	1,449	1,455	1,455
Unfilled positions, end-of-year	-32	-25	-7
Total permanent employment, end-of-year	1,417	1,430	1,448

OFFICE OF INSPECTOR GENERAL

Advisory and Assistance Services
(Dollars in thousands)

Account Title and Symbol		1989	1990	1991
I. Contractual Services				
Individual Experts and Consultants	B.A.	$ 203	$ 272	$ 130
	Oblig.	203	272	130
	Outlays	118	238	201
Studies, Analyses and Evaluations	B.A.	$ 445	$ 165	$ 210
	Oblig.	445	165	210
	Outlays	258	305	188
Management and Professional Support Services	B.A.	$3,093	$4,352	$3,585
	Oblig.	3,093	4,352	3,585
	Outlays	1,794	3,723	3,969
Engineering and Technical Services	B.A.	$1,293	$ 405	$ 375
	Oblig.	1,293	405	375
	Outlays	750	849	390
Subtotal	B.A.	$5,034	$5,194	$4,300
	Oblig.	5,034	5,194	4,300
	Outlays	2,920	5,114	4,747
II. Personnel Appointments	B.A.	$ 0	$ 0	$ 0
	Oblig.	0	0	0
	Outlays	0	0	0
III. Advisory Committees	B.A.	$ 0	$ 0	$ 0
	Oblig.	0	0	0
	Outlays	0	0	0
TOTAL	B.A.	$5,034	$5,194	$4,300
	Oblig.	5,034	5,194	4,300
	Outlays	2,920	5,114	4,747

OFFICE OF INSPECTOR GENERAL

Advisory and Assistance Services

The OIG uses the assistance of professional contractors to conduct routine audits required by law or administrative requirement. The private sector is also used to provide OIG with professional consultation and services across a wide range of subjects, particularly in the areas of the medical professions and the health care industry as well as in the field of computer technology.

Three factors contribute to the need to maintain contract services. First, the amount of HHS dollars awarded to universities, State and local governments and other grantees has grown so large that is has become increasingly necessary to use contract auditors to determine whether grantees have used HHS funds properly and in compliance with Federal procedures and policies. This responsibility is substantial. For example, the OIG is responsible for closeout audits of most of the estimated $100 billion in Federal monies awarded to States each year, and it is the cognizant Federal auditor for 2,090 of the Nation's universities. Carrying out the OIG's responsibility to audit these programs and protect the integrity of Federal grants simply could not be accomplished with the limited number of OIG auditors. Accordingly, under close OIG supervision, contract funds are awarded to certified public accounting (CPA) and other auditing and accounting firms to perform routine or recurring audits, allowing OIG auditors to work on more complex programmatic activities.

Second, the OIG has had an increasing need for expert medical and other professional services in order to conduct complex health care financing and service delivery audits and inspections and to enforce new civil monetary penalties and sanction authorities. Medical experts are required to provide advice and recommendations on medical specialties and patterns of practice which can impact specific sanctions cases and implementation of the numerous new sanction authorities contained in recent legislation. Health care costs have grown rapidly in recent years, the increase being in part attributable to costly scientific and medical advances. As has been demonstrated in several OIG studies, new procedures and therapies must be thoroughly reviewed and reimbursement levels appropriately revised to prevent runaway costs. In order to conduct such studies, the OIG needs highly specialized professional expertise in a wide variety of medical and other specialties.

Finally, in recent years the OIG has assumed greater leadership in audit and related quality assurance activities of the Department. The OIG's direction has provided technical auditor expertise on these projects, ensuring that they meet

OFFICE OF INSPECTOR GENERAL

Advisory and Assistance Services
(Cont.)

professionally recognized audit standards. The level of effort of such project assistance was incorporated into the OIG's direct contract service budget.

The OIG's estimate of advisory and assistance services in FY 1990 and FY 1991 is consistent with what was actually spent in FY 1989. The decrease in FY 1991 reflects our plans to shift resources to accomplish studies and audits through OIG personnel rather than contracting out for these services. The OIG's contract service budget is expected to continue at the FY 1991 level in future years. Clearly, OIG's cognizant auditor responsibility will not diminish in the future. Moreover, legislative changes during the past two Congresses mandated the enforcement of several legislative provisions coupled with rapidly evolving medical technology, and Medicare/Medicaid spending strongly suggest a need for continuing the contract service investment in this area.

WEDNESDAY, MARCH 28, 1990.

FAMILY SUPPORT ADMINISTRATION

WITNESSES

EUNICE S. THOMAS, ACTING ASSISTANT SECRETARY FOR FAMILY SUPPORT

MICHAEL L. STURMAN, ASSOCIATE ADMINISTRATOR FOR FINANCIAL MANAGEMENT

JANET FOX, ACTING DIRECTOR, OFFICE OF ENERGY ASSISTANCE

DENNIS WILLIAMS, DEPUTY ASSISTANT SECRETARY, BUDGET, DEPARTMENT OF HEALTH AND HUMAN SERVICES

MACK STORRS, SPECIAL ASSISTANT, OFFICE OF FAMILY ASSISTANCE

MANNY HELZNER, BUDGET OFFICER, OFFICE OF FINANCIAL MANAGEMENT

Mr. NATCHER. At this time we have the budget request for the Family Support Administration, and we have before the subcommittee the Acting Secretary, Ms. Thomas. Ms. Thomas, before you give us your statement, tell us who you have with you there at the table.

Ms. THOMAS. Thank you, Mr. Chairman. I have with me Jan Fox, to my right, who is acting director of the Low Income Home Energy Assistance Program—LIHEAP; Dennis Williams, from HHS; and Mr. Mike Sturman—I'm sure you know him—from our budget operations; Mr. Mack Storrs, who works with the implementation of the Job Opportunities and Basic Skills Training (JOBS) Program; and Manny Helzner, who is our budget officer.

Mr. NATCHER. Thank you very much. Now we will be pleased to hear from you.

OPENING REMARKS

Ms. THOMAS. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I am pleased to be here today to talk about the fiscal year 1991 Family Support Administration (FSA) budget.

I would like to summarize briefly the priorities of the Family Support Administration in President Bush's budget. These include continuing to maintain support for the Aid to Families with Dependent Children (AFDC) and Child Support Enforcement (CSE) programs, and implementation of the welfare provisions included in the Family Support Act of 1988.

We continue to emphasize the protection of those most in need as a priority. Under the AFDC program, full funding will maintain benefits to approximately 3.9 million families. At the same time, our investment of $1.2 billion in child support enforcement will lead to $6.8 billion in collections from absent parents, an increase from estimated 1990 collections of over $900 million. More than $2 billion will be collected on behalf of AFDC families, thereby providing needy families with greater economic self-sufficiency, and lowering the amounts of Federal and State funding needed to meet the cost of providing assistance.

Implementation of the Family Support Act of 1988 continues to be one of our highest priorities. By October 1, 1990, all States are required to make the transition to the new education employment and training program for welfare recipients. This program includes reimbursement for child care and other work-related expenses as well as extended child care and Medicaid benefits when an individual leaves the AFDC rolls due to work. So far, 27 States already have their programs in place. We are requesting the full $1.0 billion program authorization for fiscal year 1991.

A key element for effective implementation of this legislation is a close working relationship with the Departments of Labor and Education. In this context, I am pleased to tell you that in November of 1989, a three-year technical assistance effort to assist States and Indian tribes was jointly announced by the three Departmental Secretaries. We will urge similar coordination efforts at the State and local levels to prevent duplication and maximize the use of available resources.

Finally, we have proposed funding levels for our programs that reflect Gramm-Rudman-Hollings objectives while pursuing our overall domestic spending priorities.

In closing, let me say that this budget reflects our commitment to supporting America's families through vigorous implementation of the Family Support Act as well as aggressive enforcement of parental responsibility for their children's economic well being. We believe we have struck a balance between prudently managing our scarce resources and identifying opportunities for reducing Federal spending.

We will be glad to entertain questions. This concludes my statement.

[The information follows:]

STATEMENT BY THE
ACTING ASSISTANT SECRETARY
FOR FAMILY SUPPORT
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. Chairman and Members of the Committee:

I am pleased to be here today to talk about the fiscal year 1991 Family Support Administration (FSA) budget.

I would like to summarize the FSA priorities which are presented in President Bush's budget. These include continued support for the Aid to Families with Dependent Children (AFDC) and Child Support Enforcement (CSE) programs, and implementation of the welfare reform provisions included in the Family Support Act of 1988.

o Our request is designed to protect those in need. Under the AFDC program, full funding will maintain benefits to approximately 3.9 million families. At the same time, our investment of $1.2 billion in child support enforcement will lead to $6.8 billion of collections from non-custodial parents. This represents an increase from estimated 1990 collections of over $900 million, or 16 percent. More than $2 billion will be collected on behalf of AFDC families. This money provides needy families with greater economic self-sufficiency, assures the financial responsibility of natural parents toward their children, helps to forestall welfare dependency, and offsets part of the cost of public assistance.

Implementation of the Family Support Act of 1988 continues to be one of our highest priorities. To date, 27 states have made the transition to the new Job Opportunities and Basic Skills Training (JOBS) program for welfare recipients. By October 1, 1990, all States are required to implement JOBS. This innovative program provides enhanced opportunities for AFDC recipients to participate in education, training, and work activities. In addition, Federal funds will be used to reimburse States for child care costs and other work-related expenses, as well as extended child care and Medicaid benefits when an individual leaves the AFDC rolls due to work. The purpose of the Act is to encourage AFDC recipients, especially young single mothers, to develop skills they need to become self-sufficient. For FY 1991, we are requesting one billion dollars in budget authority, the full authorized level, for JOBS program costs, plus $489 million for related child care costs. A key element for effective implementation of this legislation will be a close working relationship and coordinated action with other Departments, such as Labor, Education and Interior. In this context, I am pleased to be able to report to you that at a November national conference on the JOBS program, three Departmental Secretaries (Health and Human Services, Labor and Education) announced a three year technical assistance effort to assist States and Indian Tribes. We will urge that the same coordination efforts take place at the State and local levels in order to prevent duplication and to maximize the use of all available resources.

Increasing child support collections is another effective way to help families become or remain self-sufficient. The Family Support Act strengthens the Child Support Enforcement program by requiring States to establish guidelines in setting the level of child support awards and by providing for periodic review of the appropriateness of such awards.

FSA's programs for low-income home energy assistance, aid for newly legalized aliens, refugee assistance, and community services all fall within the nondefense spending category. Accordingly, proposed funding levels for these programs in FY 1991 are in consonance with the overall domestic spending priorities which have been established over the past several years.

Specifically:

- The budget includes $1.05 billion for the Low Income Home Energy Assistance program (LIHEAP). This program provides supplemental funding to the States for meeting the critical home energy needs of low-income households - in conjunction with other Federal programs.

- For Refugee and Entrant Assistance, the budget request is $369 million, the same level as the 1990 appropriation. This request is based on, and is consistent with, the State Department's estimate that 110,000 federally-funded refugees will be admitted into the United States during FY 1991. Funding for FY 1991 maintains the FY 1990 level of State subsidies for AFDC and Medicaid costs incurred in providing assistance to eligible refugee families, as well as level funding for non-categorical refugee cash and medical assistance, employment services, targeted assistance and voluntary agency matching grants.

We estimate that reimbursements for the States' share of categorical assistance costs (AFDC and SSI) will be limited to 4 months and we will continue the current 12 months of eligibility for non-categorical refugees. While the number of months of state reimbursement for categorical refugees is significantly reduced from past year levels, this has no effect on an individual's basic eligibility for categorical program benefits. Reimbursement of state costs for cash and medical benefits provided to categorically eligible refugees will be put more on a par with States' regular AFDC and Medicaid program obligations.

o For State Legalization Impact Assistance Grants (SLIAG) in FY 1991 -- the fourth year of this interim program - $303 million is requested, the same level as appropriated for FY 1990. We are also requesting that funding for FY 1992 -- appropriated last year -- be eliminated. While the Immigration Reform and Control Act of 1986 (IRCA) appropriated $4 billion over four years, the level of spending has not been as high as was estimated when IRCA was passed. Accordingly, we are proposing that SLIAG be maintained as a four-year temporary program.

o The Community Services Block Grant (CSBG) provides Federal assistance to community action agencies for delivering services to low-income individuals and families. We believe that States should assume a greater share of the financial responsibility for provision of services funded under this grant program. Thus, the budget proposes to phase down direct funding for CAA administrative and other costs and require that such activities be funded through appropriations included for the various related Federal programs. For activities to assist the Homeless, the 1991 budget includes $42 million, $20 million more than in 1990. I would also like to mention that a special demonstration program - authorized by Congress in 1990 and designed to examine alternatives to so-called welfare hotels - is proposed for continuation in 1991. However, we intend to transfer this demonstration project to the Department of Housing and Urban Development, a more appropriate location for this housing-related activity.

- In addition, I would like to bring to your attention a new grant program which will provide broad-ranging support for the Commonwealth of Puerto Rico. The grant, formerly administered as a nutrition assistance program through the Department of Agriculture, will give the Commonwealth greater flexibility in tailoring the program to the needs of its low-income households. We anticipate continued Federal financing of domestic assistance programs in Puerto Rico following some form of likely Puerto Rican self-determination action in the near future. Financing block grant programs such as this should be consolidated with other tax and financing programs under the jurisdiction of the Senate Finance and House Ways and Means Committees.

- Finally, $79.2 million is requested to administer the Family Support Administration programs in FY 1991. Proposed language authorizing an estimated $1 million in new user fees to be collected from States for accessing child support locator services in AFDC cases would be treated as an offset to the amount appropriated. An additional $1 million in fees for absent parent and/or employer location services provided to non-welfare cases will be collected under current law. This request will support 1,029 full-time equivalent employees (FTE'S).

In closing, let me say that this budget request reflects our sincere commitment to help the poor by encouraging the economic self-sufficiency of needy families, as well as our determination to pursue and aggressively enforce the support that parents owe their children. We ask your support in achieving those goals. At the same time, we have not ignored our obligation to help reduce the Federal deficit. We believe we have struck a balance between prudently managing the resources required to meet the needs of the poor and identifying opportunities for reducing Federal spending.

PROPOSED REDUCTIONS

Mr. **Natcher**. Thank you, Ms. Thomas. Now, how would you describe the target population of programs administered by the Family Support Administration in terms of their economic and social circumstances?

Ms. **Thomas**. Could you repeat that question, please?

Mr. **Natcher**. Yes. Just briefly, now, how would you describe the target population for programs administered by the Family Support Administration in terms of their economic and certain social circumstances?

Ms. **Thomas**. We would describe those persons who most need our services as those persons who are below the poverty level and the working poor.

Mr. **Natcher**. As you know, the President's budget includes $1,200,000,000 in cuts for your agency. This includes a $537,000,000 cut for State Legalization Impact Assistance Grants; $343,000,000 cut for the Low-Income Energy Assistance; $363,000,000 cut for Community Services Block Grants.

Given the needs of your clients, why is it that year after year now, we have severe reductions in most of these programs?

Ms. **Thomas**. For the Community Services Block Grants, we are not requesting continued funding. We are proposing, however, to nearly double the funding for our homeless program. We feel that the community service programs are similar to other Federal programs such as the SBA, the Small Business Administration, where we offer economic development programs. SBA could very well take care of that.

The LIHEAP program, as you know, was initially a response to an unexpected event which happened during the oil embargo. It was not intended to be a program that would give the entire amount of assistance to families. It is a supplemental program. Over the years States have transferred funds from the LIHEAP program into other block grant programs. However, they have not transferred funds into the LIHEAP programs. There are other sources of funds also for LIHEAP, such as the Oil Overcharge Program.

As you know, we are operating under deficit reduction, and we have cut some of our spending.

Mr. **Natcher**. Insert in the record at this point a ten-year table for the community services program showing the President's request and the final appropriation.

[The information follows:]

FAMILY SUPPORT ADMINISTRATION OFFICE OF COMMUNITY SERVICES

[Community Services Programs: Appropriation history—fiscal year 1982 to fiscal year 1991]

	Budget request	Appropriation
Fiscal year:		
1982	$225,000,000	[1] $347,766,000
1983	112,000,000	[1] 373,000,000
1984	2,852,000	348,000,000
1985	2,919,000	368,135,000
1986	3,864,000	351,762,000
1987	3,616,000	404,836,000

FAMILY SUPPORT ADMINISTRATION OFFICE OF COMMUNITY SERVICES—Continued

[Community Services Programs: Appropriation history—fiscal year 1982 to fiscal year 1991]

	Budget request	Appropriation
1988	310,000,000	382,290,000
1989	310,000,000	380,598,000
1990	42,000,000	[2] 396,821,000
1991	42,000,000	....

[1] Does not include amounts appropriated for Economic Opportunity Act Close-out Activities.

[2] Includes $8,041,000 advance funding for Homeless Services grants available for obligation in fiscal year 1991; also includes $1,990,482 made available under the Anti-Drug Abuse Act.

COMMUNITY SERVICES GRANTS

Mr. NATCHER. The Inspector General has found serious problems with the community services' discretionary programs. These include lack of competitive review in the award and the failure to achieve grant objectives.

What is being done to correct these problems?

Ms. THOMAS. Presently, we have listed that as a material weakness in our organization, and at this point, we are developing a tracking system to monitor the grants more efficiently than we have done before. We are also revising our award process and bringing in good reviewers who are knowledgeable about the programs so that we would not make the same mistakes that have been made in the past.

Mr. NATCHER. The Inspector General also noted the failure to close out nearly $100,000,000 worth of grants which were funded prior to 1986. Can we assume that these problems will be corrected as well?

Ms. THOMAS. Yes, this will be taken care of, Mr. Chairman. As you know, this included the CSA close-out grants, 36 of which were operating on a continuing use-of-assets agreement.

We are tracking those 36 to get some final information on them, and we will make sure that we record grant numbers of any real prperty that's purchased with Federal dollars.

Mr. NATCHER. The 1990 reauthorization requires you to use 10 to 25 percent of the annual appropriations for Demonstration Partnership Grants to replicate successful programs in other areas. Will this be done in 1990?

Ms. THOMAS. We're not asking for funding for our 1991 grants, but this will be done in 1990. The program announcements have been written, and they are under clearance at this point.

Mr. NATCHER. What is the average size of the Discretionary Economic Development Grants, and how are these funds typically used?

Ms. THOMAS. The average size of an Economic Development Grant is $350,000. They usually are used in a poverty area or ghetto area to provide jobs for low-income persons and training as they, for example, rehabilitate small malls or undertake some type of construction in their areas.

We are requiring that they use at least 75 percent lower-income people to fill the jobs that they create.

Mr. NATCHER. As you know, the Homeless Assistance Grants are distributed through the same formula as the other community services grants. Does this formula sufficiently target the needs of the homeless?

Ms. FOX. We really have no solid figures on a State-by-State basis for the number of homeless. The CSBG formula comes close since it targets low-income persons. If CSBG is to be terminated as the administration is proposing, then certainly there are other factors that are available from the Census Bureau that we could use: the number of low-income families in the area, the rate of unemployment, the number of homeless children or the number of children living with low-income parents.

Mr. STURMAN. Mr. Chairman, if I could just answer that with a personal opinion.

Mr. NATCHER. Yes, go ahead.

Mr. STURMAN. The CSBG formula is based upon the distribution of funds under the old Community Services Administration in 1981. As you recall, the Community Services Administration was reorganized from the Office of Economic Opportunity. When OEO was created, the distribution of funds was more heavily weighted toward certain areas of the country, particularly the cities.

If you look at some of the statistics, some of the bigger problems are in areas other than where the original OEO targeting of funds occur. I suspect if somebody wanted to go through and update that formula, you would see a different distribution.

Mr. NATCHER. Thank you. How much of the homeless assistance funding can be used for State and Community Action Agency administration costs?

Ms. FOX. The statute requires that no funds may be used for administrative costs.

Mr. NATCHER. What is the average size and maximum size of the Homeless Assistance Grants?

Ms. FOX. It's distributed on the basis of the CSBG formula, and it ranges from the minimal, I think, for this year, the minimal amount for 1990 was $54,636. The maximum amount went to California. It's just under $2 million.

Mr. NATCHER. All right, Mr. Conte, I yield.

LOW INCOME HOME ENERGY ASSISTANCE—FY 1990 SUPPLEMENTAL

Mr. CONTE. Thanks. I would thank you for coming today, and I have some questions on the LIHEAP budget and I'll get down to business.

First, I want to thank Chairman Natcher, who has been working with me on LIHEAP over these many years, and I appreciated the chairman's cooperation, especially yesterday, when we had a bit of a ruckus. That's all taken care of now, and we will do the right thing again this year, I hope.

This past December was one of the coldest, as you know, in the history of most of the country Heat and oil and coal prices went through the roof, even though the winter's sky-high fuel prices brought the low-income families to run out of assistance. And fuel prices fell slowly, and the season's prices averaged around 30 percent overall.

Do you know any people for Community Action needs who ran out of benefits?

Ms. THOMAS. We would have to find that out. We do not have the number of Community Action Agencies who ran out of benefits.

Ms. FOX. We normally would not be able to collect that sort of information. The States run the program. That's very fine detail, and normally we would not get that information.

Mr. CONTE. Well, you could write them letters.

Ms. FOX. We could ask the States to provide that information, but it would take some time to collect it.

Mr. CONTE. And it's true that 23 areas of the programs are out of money, shut down by the end of February. 13 out of the 23 programs were anticipating being out of fund, shut down by early March. And even though the closing date is supposed to be the end of March, bills are still being collected, but they're unpaid.

Doesn't this indicate a need for supplemental? I don't care who answers it.

Ms. THOMAS. Mr. Conte, we are not in favor of the supplemental, but in light of the fact that you've had severe winters in the Northeast, we would be happy if the administration would put it in, and we would be happy to accede to whatever Congress would decide.

Mr. CONTE. Well, you may not be in favor, but OMB is in favor of it.

Ms. THOMAS. Well, I'm in favor of it then. I work with the Administration.

Mr. CONTE. The whole House Appropriations Committee voted $50,000,000 in supplemental funds for LIHEAP. When I first led in LIHEAP, we had 45 cosponsors in the House, seven members of this subcommittee, Early, Weber, Hoyer, Dwyer, Stokes and Obey. A majority back at OMB said that the first dollars on the domestic side should go to LIHEAP.

Ms. Thomas, you're not going to disagree with our friends, are you?

Ms. THOMAS. Oh, no. If I had that information earlier, I would be happy to say that I would agree, if that's the administration's point of view. And it will take care of the Northeast.

Thank you so much for that information. I was not privileged to that information.

Mr. CONTE. I'm glad to hear that, but staff tells me he informed your staff about it two days ago, but it's all right. Once the supplemental is passed and signed, tell me how your office will handle the applications from the States who demonstrate need?

Ms. FOX. Absent any direction in the supplemental language, we would use the normal allocation formula. If Congress has put special language in there, we certainly would follow it.

Mr. CONTE. We certainly have. We put special language in. It only goes to the States who have run out of money. We're not going to give it to States that applied and have not run out of money. This is a dire emergency. That's what we're fighting for. That's what it's all about. We will be watching this closely.

We don't want this to go to States that haven't exhausted their funds. This is not a pork barrel or boondoggle thing. This is going to the States that have run out of money and need that money desperately.

Mr. **Sturman**. Mr. Conte, assuming that we can document States running out of money, under that circumstance, the funds would probably have to be distributed to that small group of States based on the current allocation formula.

Mr. **Conte**. All right. I thought when you said that, I thought you take our money and give it to Puerto Rico and Guam and the Virgin Islands. [Laughter.]

LIHEAP—FY 1991 REQUEST

Mr. **Conte**. Now, I want to tear into the fiscal year 1991 budget request for LIHEAP. The budget has cut LIHEAP by $343,000,000. That's 25 percent. Can you tell us, Ms. Thomas, how many households were dropped from the program between fiscal year 1985 and fiscal year 1989?

Ms. **Thomas**. Fiscal year 1989—in the peak year, how many households dropped? In 1985, there were 6.8 million households receiving LIHEAP-benefits. And you wanted what?

Mr. **Conte**. 1989.

Ms. **Thomas**. 5.9 million households.

Mr. **Conte**. That's right. How much of a decrease was that?

Ms. **Thomas**. 900,000.

Mr. **Conte**. 900,000 households, or 2.7 million people, according to LIHEAP's fiscal year 1988 report.

What was the decrease in the average benefit at that time? Do you recall?

Ms. **Fox**. In 1985, it was $242 as an average, and in 1989, it was $202. So, it decreased $40.

Mr. **Conte**. Between 1985 and 1989, we see fewer households served and lower benefits; is that right?

Ms. **Fox**. That's correct.

Mr. **Conte**. Now, what can we expect with the 25 percent cut in terms of the number of households and benefits? Would you expect cuts in either or both?

Ms. **Fox**. There could be cuts in either. Some States would probably do one or the other, or a combination. It's a State-run program. They have a lot of flexibility. So, we can't say that everything is going to be reduced 25 percent. They could cut back on administrative costs and the money they transfer out to other block grants. They could keep the benefits the same and serve fewer households; keep the number of households the same and reduce benefits; or they could do a combination of all of these. But we really don't know what they will choose.

Mr. **Conte**. Do you know how many LIHEAP-eligible households normally go without fuel in the middle of winter?

Ms. **Fox**. We don't have that information for the LIHEAP-eligible households. In 1987—the 1987/1988 winter, which is the most recent information we have—there were 469,000 low-income households that had heat interruptions due to financial difficulty, and that was 2.2 percent of the total number of households.

Mr. **Conte**. You're right. How long did they stay without fuel?

Ms. **Fox**. I don't have that information with me.

Mr. CONTE. 18 days. Do you know what this budget would do to the number of families who will go without assistance in fiscal year 1991, in the days that they will be stranded in their own homes without fuel?

Ms. FOX. We really can't tell because we don't know how the States would implement the decrease in appropriations.

Mr. CONTE. The Budget Blue Book categorizes LIHEAP as a low-return program along with several other important income maintenance programs. And I am deeply disturbed by this Blue Book characterization.

Is LIHEAP a low-return program because funds are used to keep elderly and handicapped people warm in the winter? Is LIHEAP a low-return program because it keeps low-income families with children warm and healthy? Is LIHEAP a low-return program because by keeping low-income people warm we keep them in their homes, and not in hospitals?

Mr. STURMAN. Are you referring to the administration's budget book?

Mr. CONTE. The Blue Book.

Mr. STURMAN. That's the language that was prepared at the Office of Management and Budget.

Mr. CONTE. You disagree with it, don't you? You agree if you don't answer the question.

Let the record show, Mr. Chairman, that nobody answers that.

Mr. WILLIAMS. Mr. Conte?

Mr. CONTE. Oh, Mr. Williams, you're too nice to answer that. [Laughter.]

I'll give you the lead part in A Christmas Carol.

Mr. WILLIAMS. I think that the term here is better described as low-priority in a very general sense of the term. I think Ms. Thomas indicated at the very beginning that this program was instituted some time ago. It was instituted for a very special purpose under very special circumstances.

The crisis atmosphere at that time and the magnitude of that crisis has passed. But that doesn't mean that there aren't needs, and there are needs in this area, and there are needs in broad areas in the country. But we believe that the crisis that existed at that time has subsided, or prices over the longer term are more stable now than they were then. The economy and the society has had the opportunity to adjust to those.

That doesn't mean that there aren't pockets of need. It is simply a statement of relative priority and relative to all other areas that the President has to try to address, and which this Congress has to address.

So, in that broader generic sense, I think, the budget affords this program a lower priority than it affords some of the other needs such as education, Head Start, and other things which all of us also want to try to address.

Mr. CONTE. What good is education if the kid freezes all night long, and he's got to go to school the next day, and he's up all night long? What good are those programs?

Of course, that was brought in because of the oil embargo at that time, but the price of oil has been going up and down. It went right through the ceiling in December, in all programs in the budget.

Food stamps got started that way. I don't see anybody saying now we got to do away with food stamps, or you would have had that agricultural block and the Congress on your back so fast—you know that as well as I do, but we still have food stamps.

You had the cheese program, and you had the dairy program, and you had the large surpluses. Likewise here, this is a program whose time has come. People out there are helping people that need it the most. All of those safety net programs are coupled in, including this. Low-income housing. You may say, "Why do we have low-income housing?" Because if you don't have low-income housing, people wouldn't have a roof over their heads.

We're not all fortunate in this country of ours. There are some unfortunate people, and that's who we are fighting for here in LIHEAP.

Mr. Chairman—again, I was busy talking with counsel—I want to thank you for your cooperation down through the years. If he did not help me out, we never would have gotten the money for all the poor people in this country.

Thank you, Mr. Chairman.

REFUGEE ASSISTANCE PROGRAM

Mr. NATCHER. Thank you, Mr. Conte. Now, yesterday, in discussions on the supplemental, some of the members, Ms. Thomas, were very much concerned about the cutback in the months of reimbursement for cash and medical assistance for refugees.

Are you opposed to providing 12 months of assistance to all refugees?

Ms. THOMAS. We were recommending, Mr. Chairman, that we continue with the same funding for our refugee program in light of the fact that we were willing to have about the same number, 110,000, of refugees, as we will in 1990.

Mr. NATCHER. Go ahead.

Mr. STURMAN. The 12 months for the non-categorical refugees, those that are income-eligible but do not meet some of the other eligibility factors, is a specific number of months set by regulation.

The other part of the program which is the categorically-eligible, the ones that we're looking at, for about four months this year, is part of the statute that says pay for up to 36 months of funding for this group, depending upon availability of funds.

In the 1990 appropriation, $210 million was earmarked for cash and medical assistance for the refugees. And you could run a standard policy for a number of months. I don't know if it would be 12 and 12, but we do have to change an existing regulation. We couldn't do it administratively without a change in regulations.

By the time the appropriation was enacted, because of the time it takes to get regulations through a process, and implement it final, there simply was no time to go to a policy other than what we had to administer.

If you're looking at a different policy for next year, then the process of getting a regulation changed to have a more even distribution, we would have to begin right now. And it's a long process to get regulations changed once you have something set in place.

REFUGEE ASSISTANCE—FY 1990 SUPPLEMENTAL

Mr. NATCHER. Thank you, Mr. Sturman. Did the Department consider the possibility of a supplemental for the refugee program to increase the months of eligibility?

Ms. THOMAS. No.

Mr. STURMAN. No, sir.

Mr. NATCHER. The administration has proposed a $70,000,000 supplemental for the State Department Refugee Admissions Program. What would be the effect on the domestic refugee program if this supplemental were approved? And also tell us, would you need additional resources as well, either in 1990 or 1991, but beyond those in your current budget?

Mr. STURMAN. The impact of the FY 1990 State Department supplemental would not affect HHS because the State Department supplemental, if I understand it correctly, is to increase the level of funding that they needed to support the increased number of refugees which they had planned on for 1990.

The funding in the State Department appropriation was insufficient to meet the 111,000 refugees that the State Department is planning on bringing through in 1990. Our budget—the number of months that we are talking about—for assistance to both categoricals and non-categoricals and the matching grant program is based upon that 111,000 estimate of arrivals. Our FY 1991 budget is based on 110,000 refugees.

Both the State Department and we are operating on the same assumption as to the number of refugees coming in.

REFUGEE PROGRAM REAUTHORIZATION

Mr. NATCHER. All right, what is the status now of the Refugee Program Reauthorization Bill?

Ms. THOMAS. It's up for reauthorization. It has been written, and it's in clearance.

Mr. NATCHER. Do you anticipate the enactment now of this legislation before we mark the bill up?

Mr. STURMAN. It's hard to predict what the Congress will do. They have reauthorized programs without us even having legislation up.

I quite frankly would not expect the authorization process to be completed within the time this committee traditionally marks up the appropriations bill in late spring or early summer. I would not expect the Hill to complete the reauthorization process by then.

REFUGEE TARGETED ASSISTANCE

Mr. NATCHER. The committee understands that some advances have been made, but that the 1990 targeted assistance still has not been distributed to States. What has been the delay, and when will the remainder of these funds be distributed?

Mr. STURMAN. The likelihood is that we will distribute all funds around July 1. There is an application process. The application process is based upon a formula that is in regulation. The States are in no danger in running out of money because there is a large amount of money still in the pipeline from past awards. So, even if

States had all their money today, they would not be utilizing it. So, there is no urgency to distribute the targeted assistance funds yet.

I would mention, Mr. Chairman, this applies to the basic formula. There are also a couple of earmarks against that, and those funds have already been awarded. That was the money for Dade County Public Schools and Jackson Memorial Hospital.

Mr. NATCHER. How do you plan to allocate the 10 percent share of targeted assistance funding designated for localities heavily impacted by secondary migration?

Mr. STURMAN. This is Phil Holman, who is in the Refugee Assistance Program.

Mr. NATCHER. Give us your full name, please?

Mr. HOLMAN. Yes. My name is Phil Holman, Mr. Chairman. I'm from the Refugee Program.

Mr. NATCHER. Go right ahead.

Mr. HOLMAN. We will publish a notice in the Federal Register seeking applications for those funds, and we'll review the applications and make a determination based on the need and the contents of the applications.

REFUGEES—VOLUNTARY AGENCY GRANTS

Mr. NATCHER. Thank you. What is the 1991 allotment for Soviet refugees, and what is the backlog of applications for this group?

Mr. STURMAN. The number of refugees that we serve through the matching grant programs, which I believe you are referring to, is roughly 40,000, both in 1990 and 1991. Of that amount, the predominant group will be Soviets.

Mr. NATCHER. Is the amount budgeted for voluntary agency grants sufficient to meet your obligation in these groups, based on 1991 refugee arrivals?

Mr. STURMAN. Yes, sir.

REFUGEE RESETTLEMENT—1991 REQUEST

Mr. NATCHER. If you will, now, compare your original 1991 request to OMB and the current request for the Refugee Resettlement Program, and tell us what were the respective assumptions regarding the numbers of months of assistance and refugees?

Mr. STURMAN. For the record, I can give you a general answer which I believe is correct. When the Family Support Administration submitted its budget request to the Department, it based its budget on maintaining the 1989 level of assistance in terms of the number of months.

The budget that went to OMB, which for FY 1990 was 15 months for the categorically eligible and 12 months for the non-categorically eligible, the budget that went to OMB for FY 1991 was less than that. It was around $315 million in the aggregate, and that's just in round numbers.

The budget that came back from OMB maintained the same level of funding for the refugee program as Congress enacted for the 1990 appropriation, which was in excess of $368 million.

Mr. HELZNER. Mr. Chairman, if I may add, there were different assumptions with respect to the number of arrivals that would be permitted and were assumed under each of the budget submissions.

That is determined by consultation between the Executive and Legislative Branches.

During the course of the budget preparation, those consultations do firm up the current assumptions with respect to the number of arrivals in each of the years. So, that would be another difference as to the estimates.

SLIAG—DRAW DOWN

Mr. NATCHER. Now, let's turn next to State Legalization Impact Assistance. How much has been appropriated since 1988 for State Legalization Impact Assistance Program, and how much have the States drawn down?

Ms. THOMAS. The draw-down has been $543 million through February, 28, 1990. This is about 30 percent of the funds granted for fiscal year 1988 and 1989. Fiscal year 1990 funds have not been made available yet. They will go out in a month.

Mr. NATCHER. All right. Mr. Conte, I yield.

Mr. CONTE. I have further questions on LIHEAP, and I'll submit them for the record.

NATIONAL YOUTH SPORTS PROGRAM

What new initiatives are you planning for the National Youth Sports Program?

Ms. THOMAS. The National Youth Sports Program was recommended for no funding. It comes under the Community Services Block Grant Program, and we're not recommending funding for that program.

Mr. CONTE. Don't you feel that the National Sports Program is a great way to help minority, disadvantaged kids get some meals, medical service?

Ms. THOMAS. Well, Mr. Conte, I certainly do, and having been an educator and a principal, I understand it. The Department has a lot of money that has been put into our drug abuse programs, which will be offering some of the same things to disadvantaged children, and could very well earmark some of that money for medical examinations and for programs as well as the National Youth Sports Program.

Mr. CONTE. Well, if you're going to tackle this drug thing, that's one good way of doing it. Working with the NCAA, bringing these kids out there—I've gone out and looked at that program.

Ms. THOMAS. I have, too.

Mr. CONTE. If I had known that you had zeroed that, I would have brought you down here to one of the hotels recently. I went down there one night, and the children from the District of Columbia did a skit and performed it for me. I tell you, it really moved me, and they talked about drugs, and they talked about their body, and they talked about health and all that.

Oh, I tell you, we're getting a real bang for our dollar under that program.

Mr. STURMAN. In all fairness to Ms. Thomas, she came into the Office of Community Services just at the time that we were doing appropriations hearings a year ago.

We proposed in our budget to the Department that funding be maintained for the program. At that time, we had not been marked up. So we based our request on the 1989 appropriation. We did not prevail.

Mr. **Conte**. I congratulate you. You won't be upset then to put it back in.

Mr. **Sturman**. Ms. Thomas, who is the Director of the Office of Community Services, will not be upset.

DEMONSTRATION COMMUNITY PARTNERSHIP PROGRAM

Mr. **Conte**. We had funded the CSBG, the Demonstration Community Partnership Program for four years. What success have you had in making private funds, and how many quality programs were you unable to fund last year?

Ms. **Thomas**. We don't have that information available. May we enter that for the record, please?

Mr. **Conte**. Sure.

[The information follows:]

Demonstration Partnership Program

As you know, the legislation requries that each dollar granted under the Demonstration Partnership Program (DPP) be matched by one dollar of non-Federal contributions, either cash or in-kind. Organizations applying for DPP funds are required to indicate in their applications how they will comply with this requirement and to present documentation supporting the non-Federal share commitments. We will not know if the grantees actually have met this requirement, or have exceeded it, until they have submitted audits covering the DPP activities. Those audits are due 90 days following termination of the grant.

OCS received 61 applications for funding under the DPP program in FY 89 and funded 15. Since our procedure is to begin our internal reviews with the top ranked application and to review only down to the point where we have expended all funds, we do not know if there were additional quality applications that could have been funded.

SLIAG—DRAW DOWN

Mr. **Conte**. Other than States drawing down the SLIAG accounts, are they going down any faster this year?

Mr. **Sturman**. No, sir.

Ms. **Thomas**. They are not drawing down any faster.

Mr. **Sturman**. And that's the reason why the Administration has proposed that funding in 1991 be maintained at the same dollar level as Congress enacted in 1990. As you recall, Congress included in the appropriations bill a rescission of SLIAG funding for that very same reason, because the States are not utilizing the level of funding Congress appropriated—we simply are not seeing the expected number of people who would be asking for services by this newly legalized group.

The need is simply not materializing.

COMMUNITY SERVICES BLOCK GRANTS

Mr. **Conte**. The budget slashes Community Services Block Grant $389,000,000. Tell me, what's going on here?

Ms. **Thomas**. The requested $42 million would double the funds for the homeless program, while the other programs have been zeroed out.

Mr. **Conte**. Gone where?

Ms. **Thomas**. The other programs for community services were zeroed out, and we requested $42 million for the homeless program. That's the only block grant program that was included.

Mr. **Conte**. Did you recommend that to the budget?

Ms. **Thomas**. I was newly arriving, as Mr. Sturman told you.

Mr. **Conte**. All right, Mr. Sturman. Did you?

Mr. **Sturman**. We did not recommend it be zeroed out, no sir. We would have maintained the same level of funding as Congress would have enacted in 1989 and 1990. They are very close together.

Mr. **Conte**. I think we got the wrong people here today.

I'll put the rest of my questions in the record, Mr. Chairman.

Mr. **Natcher**. All right.

SLIAG—IG REPORT

In a report issued last month, the Inspector General said, "Low State draw-downs make the program vulnerable to potential waste," and he recommended that Congress reduce the 1991 appropriation by $500,000,000.

Do you know about this?

Ms. **Thomas**. Yes.

Mr. **Sturman**. Yes.

Mr. **Natcher**. All right. Is there a hidden backlog of State costs that might make the IG's recommendation inappropriate?

Mr. **Sturman**. No, sir. They have the same data that we have access to, which is this $543 million cumulative draw-down to date for the first three years of the program. The need simply isn't there. Anecdotal evidence would indicate that a lot of States, which are having trouble spending their money, are looking for ways to spend the money simply because they have it.

The Inspector General is absolutely correct in his assessment.

Mr. **Natcher**. The Inspector General also noted several problems in the Federal administration of this program. Have any of these deficiencies contributed to slow State draw-down of funds?

Mr. **Sturman**. No, sir. At the Federal level, we give the funds to the State in the form of a block grant based upon a formula published in 1988. We put the money out when the States need it. If the States don't need it, we still have to put the money out, and I believe we will have all the funds distributed by around April 1 of this year, or July 1, but the States won't be utilizing it.

They have seven years to spend whatever resources they are given over the course of the four-year program.

Mr. **Natcher**. What problems are States experiencing in identifying eligible legalized aliens, and what is being done to address these problems?

Mr. **Sturman**. Are you referring to the legalization process itself?

Mr. **Natcher**. Yes.

Mr. **Sturman**. That was handled by the Justice Department and INS, and that window is closed, that legalization process. It is terminated.

Mr. NATCHER. What is being done to ensure that States have implemented proper systems to account for expenditures in the State Legalization Impact Assistance Program?

Mr. STURMAN. We would follow the same—our instructions are for us to follow the same ordering and accounting procedures that would be used for any of the social programs that we administer.

We have a contract staff that has been identified, and we've done a lot of follow up with the States.

JOB OPPORTUNITIES AND BASIC SKILLS

Mr. NATCHER. Let's go next to Job Opportunities and Basic Skills. Can you give us a status report on the States and territories that have not yet implemented the new JOBS program, which is expected to fully replace the Win Program this October?

Ms. THOMAS. We have 27 States, as I mentioned before, that have implemented and submitted their JOBS plans. We have five States pending approval of their State plans. We will sign off on those by April the first for implementing their programs. And in July, we have three States coming in: Missouri, Montana and Wyoming.

The last group of States have indicated that they will have their plans submitted for implementation by October 1, 1990.

Mr. NATCHER. As you know, the President's budget requests the full authorized level of $1,000,000,000 for the JOBS program. But you anticipate only 76 percent of that amount will be spent. The Congressional Budget Office estimates that only 65 percent of the Federal funds for JOBS will be used by the States.

Now, tell us, what is the basis for your estimate for State expenditures?

Mr. STORRS. At the time the budget was prepared, we conucted a survey of each of the individual States. We asked them when they intended to implement the program, and how much they expected to spend out of their JOBS allocation. Our estimate of spending is the number that the States reported to us at that time.

Mr. NATCHER. According to your budget documents, the number of AFDC cases increases slightly from 1990 to 1991. Do you expect the JOBS program will eventually reduce the number of AFDC recipients?

Mr. STURMAN. That's in the statute. We certainly hope so.

Mr. HELZNER. Mr. Chairman, the budget estimates for the AFDC caseload do take into account and do reflect the expectation that the implementation of the JOBS program and other provisions of the Family Support Act will, in the long run, reduce the caseload.

There are other provisions within that Act, Mr. Chairman, which will tend to increase the caseload by requiring mandatory unemployed parent programs in those States that do not now have such programs.

Both factors get reflected in the AFDC caseload estimates.

Mr. NATCHER. What will be the average monthly cost per participant in the JOBS program as compared to the Win Program?

Mr. STORRS. I think we will have to answer that one at a later time, and I'm not even sure when we can answer it. We do not have good information on that yet, and I think it's variable by the stage of implementation that the various States are in.

We will try to provide that at a later time, Mr. Chairman.

Mr. NATCHER. Tell us, if you will now, how will you monitor State expenditures on JOBS?

Mr. STORRS. We have a standard system in the AFDC program for monitoring financial expenditures, and we expect to carry out a similar arrangement for the JOBS program.

We are also looking at ways for examining child care costs under the JOBS program. For that we may need a separate and somewhat different strategy. Our regional offices and financial staff in our regional offices would conduct standard quarterly reviews, of expenditures and, if necessary, more in depth reviews to monitor the costs.

CHILD SUPPORT ENFORCEMENT

Mr. NATCHER. Let's go next to the Family Support Assistance. The Child Supported Enforcement program has always been a net loser, as you know, for the Federal Government. Since 1989, it has become a net loser overall.

Why do we keep losing money under this program?

Mr. STURMAN. I'll give you a simple answer on that, Mr. Chairman.

Mr. NATCHER. Go ahead, Mr. Sturman.

Mr. STURMAN. The net income loss that the Federal Government realizes is due to the fact that the only program income that's counted towards the Federal side of the ledger are collections from the AFDC population.

The program, however, pays for all administrative expenses of the States, not only for the AFDC cases, but also for non-AFDC cases. The Federal Government only gets income from the AFDC cases.

The States get their share based upon the existing formula. The Federal Government gets roughly 55 percent of the collections back.

But against the Government's share of roughly 55 percent of the collections, we pay back to the States an incentive payment, by law. The incentive payment is based upon State performance in collecting not only for AFDC cases, but also for non-AFDC cases.

So, the pool of money that comes back to the Federal Government is a diminishing pool. And because of increasing administrative expenses and the fact that incentive payments are based upon AFDC and non-AFDC collections, the net income to the Federal Government is a low number and always has been.

But to make the point, and I think the Office of Child Support Enforcement would agree with me, it's an important number for the tax payer, in terms of the net. It's the entire program that needs to be looked at. And each year, total collections on behalf of both AFDC and non-AFDC families are increasing. That's a positive side for society.

Mr. NATCHER. Are child support collections expected to improve significantly in the near future?

Ms. **Thomas**. Yes. We anticipate approximately $918 million additional collections in FY 1991, and we anticipate further improvement in the future.

Mr. **Natcher**. What efforts are underway at this time to improve the establishment of paternity and collection of child support and payments? Give us your name, now.

Mr. **Harris**. Bob Harris. I work for the Office of Child Support Enforcement.

Mr. **Natcher**. Go right ahead.

Mr. **Harris**. There are a number of things underway, Mr. Chairman. As a result of the periodic audits that we do of State Child Support Enforcement programs, we have identified a number of deficiencies in paternity establishment, and States are taking corrective action as a result of that.

The Congress, as part of the Family Support Act of 1988, established a performance standard for paternity establishment. States will have to show improvement. If they don't show improvement beginning in fiscal year 1992, there is the potential for a statutory penalty, specifically related to paternity establishment.

There are also provisions in legislation to simplify the process of establishing paternity. We have worked with a number of States in terms of just simplifying the legal process for establishing paternity, particularly where there is voluntary acknowledgement on the part of the putative father.

The 1988 legislation also increased the Federal matching percentage for the laboratory costs of blood testing as a further incentive for the States to improve paternity establishment. Those are just some of the things that are going on.

EMERGENCY ASSISTANCE

Mr. **Natcher**. Emergency Assistance Expenditures have risen sharply from $96,000,000 in 1988 to $194,000,000 in 1991. Can you tell us who is benefitting from this increase?

Mr. **Storrs**. If I might, Mr. Chairman, I think under the statute and under the Emergency Assistance Programs, States have a fair amount of flexibility to specify what kind of programs they want to offer under an Emergency Assistance Program.

Primarily, it's designated for short-term crises as opposed to longer-term needs. There are a number of emergency assistance programs that States are operating, including short-term housing needs, special medical needs, food, homeless shelter, disaster relief—those kinds of needs.

But States have a fair amount of flexibility to specify within the statute how they are going to use those funds.

Mr. **Natcher**. Let me ask you this: Is it the welfare hotels that are benefitting, or is it the needy?

Mr. **Sturman**. That's one of the abuses of the program, Mr. Chairman. In New York City, our investigations and the Inspector General's investigations pointed out a number of very serious problems.

The family Support Administration recognized the seriousness of the problem, and has attempted to publish new regulations to more carefully define to the States what they can use the money for and over what time periods. That regulation has been blocked for almost two years now through a Congressionally-enacted moratorium. That moratorium is due to be lifted this October to allow us to proceed with the republishing of tighter regulations.

WELFARE HOTEL DEMONSTRATIONS

Mr. NATCHER. The Adminstration's request proposes to transfer the Welfare Hotel Alternative Demonstration Program to the Department of Housing and Urban Development in 1991. What funding is included in the President's 1991 request for this program?

Ms. FOX. What is being put in HUD is additional money for an existing program on providing transitional housing that was established as part of the Stewart McKinney Homeless Assistance Act. An additional $20 million is being put into that existing program.

It's not really the same as the program which our office is currently running, which is a one-time demonstration program, to move homeless AFDC families out of welfare hotels and into transitional housing. This is a one-time demonstration. We are about to publish an announcement in the Federal Register on that.

PUERTO RICO ASSISTANCE

Mr. NATCHER. All right. Now, under Puerto Rico assistance, as of today we expect the proposed program for Puerto Rico to be considered by the Rural Development Subcommittee.

Can you tell us how this program will be different from the current assistance provided to Puerto Rico through the nutrition assistance activity?

Mr. STURMAN. The way the program is being designed—I should say the legislation—we would give Puerto Rico a vastly improved ability to target those funds to all kinds of services for the needy population in Puerto Rico. Puerto Rico would not be limited, under the program proposed for this Department, solely to nutrition activities.

It could serve a wide variety of social services or cash or medical assistance to poverty individuals in Puerto Rico.

Mr. NATCHER. Would this grant include AFDC benefits to Puerto Rico?

Mr. STURMAN. No, sir, it would not.

Mr. NATCHER. What would be the change in total funding for Puerto Rico from 1990 to 1991 under your proposal?

Ms. THOMAS. 1990 was $993 million. 1991, $823 million.

Mr. NATCHER. Are additional funds for staff included in the operating budget of the Family Support Administration to administer this program?

Mr. STURMAN. No, sir, and I don't believe staff would be necessary. It would be a very simple block grant to Puerto Rico, which could be handled in about an hour of staff time.

We have staff in our New York Regional Office who do programmatic reviews for AFDC, and they could easily handle that as part of their normal programmatic activities.

LIHEAP—WINTER TELEPHONE SURVEY

Mr. **Natcher**. Let's turn now for just a few moments to low-income home energy assistance. My friend, Mr. Conte, has examined a certain portion of this. Can you share with us the preliminary results of your winter telephone survey relating to changes from last year in the number of households who applied for energy assistance benefits, the number who received assistance, and the average benefit level?

That's a question we would like to have an answer to. It's all important. Who's going to answer that?

Ms. **Fox**. I will.

Mr. **Natcher**. Go right ahead.

Ms. **Fox**. We are still analyzing the winter telephone survey. We began this in January. We are finding that some of the States' data are not internally consistent. We are trying to resolve that. We do have some preliminary national figures which I can give you.

On the national level, the number of households assisted is 5.9 million households, which is the same as last year. The benefits for winter heating assistance, including crisis assistance, on a national level averaged $204. Last year, it was $202.

We have found that the number of applications under the heating program seem to have decreased. The number of applications for crisis assistance has increased. We don't have firm figures on that. We are still analyzing it. We will probably have it in another two weeks. We could provide that for the record for you.

[The information was provided and is on file with the Subcommittee.]

LIHEAP—PROPOSED CHANGES

Mr. **Natcher**. As Congress considers the reauthorization of the Low-Income Home Energy Assistance Program, what is your view of establishing a modest contingency fund to deal with regional fuel price emergencies, such as last December's situation in the Northeast?

Ms. **Fox**. We generally would defer to Congress on whether there needs to be a change in the allocation formula. If we had contingency funds set aside, we would need to have some guidance as to how they should be administered, and what would happen with the funds if there were no crises.

But we would certainly be willing to work with you to give technical advice.

Mr. **Natcher**. Very little information is collected about State energy assistance activities except through your voluntary telephone surveys. Would you favor increased data collection requirements in the next reauthorization so that you're better equipped to answer Congressional questions? What about that?

Ms. **Thomas**. Yes, we would.

Mr. **Natcher**. That's a good answer.

Would you favor changing the Low-Income Home Energy Assistance Statute to prohibit the transfer of these funds to other block grants?

Ms. Fox. This is a block grant, and it does give the States flexibility. We have not taken a stand. We have not proposed eliminating the transfer provision.

PROGRAM ADMINISTRATION

Mr. NATCHER. Let's take a look at Program Administration. Your Program Administration request includes a $2,000,000 reduction in program administration for productivity improvements and other cost reductions. What are these improvements, and how will they be implemented?

Mr. STURMAN. That word is a euphemism for when you take a program dollar cut in any account, it is very difficult to know how you're going to take it at the time you're going to take it. It comes to things like travel, supplies, equipment, how you hire people, and whether or not you can automate a process.

You can't really define until the year you're in, how you're really going to affect it. The only way you can achieve it, though, is through productivity improvements and in reductions in your operating expenses.

RESEARCH STUDIES

Mr. NATCHER. Which studies required by the Family Support Act are you funding in 1900? Tell us, if you will, how have you allocated the 1990 research funding?

Ms. THOMAS. The proposed research and demonstration funding for FSA in FY 1990 is roughly $10.2 million and includes an overall JOBS evaluation contract for $1.6 million. There are many other R&D studies which the authorization requires that we do.

We have to do the JOBS Demonstration Projects, $250,000; Jobs Technical Assistance, $1.6 million; the National Minimum Benefits Study, $700,000; Subgroup Analysis of SWIM Data, $125,000; Teen-Parent Demo, $37,000; GAIN Achievement Testing, $275,000; Non-custodial Parent Demo, $100,000; Child Access Demos, $1.4 million; Internet, $250,000; the study of Immediate Wage Withholding, $125,000; the report on the Periodic Review of child support cases, $76,000; the Jobs Creation Demonstrations, $3.5 million; and the Annual Survey of Refugees, $170,000. And that was a total of approxmiately $10.2 million.

Mr. STURMAN. Mr. Chairman, that's the current distribution, and the final numbers will probably be somewhat different, but that's our current best thinking.

Mr. NATCHER. What research activities would be discontinued with your reduced 1991 request?

Ms. THOMAS. I believe the JOBS Creation Demonstration Project is a multi-year program—three years but it will be funded entirely out of FY 1990 appropriations. So, that would not be there. I know we will continue to have the JOBS Demonstration Projects and the JOBS evaluation contract because that's a part of the Family Support Act.

CLOSING REMARKS

Mr. NATCHER. At the beginning of this hearing on the Family Support Administration, we pointed out to you, and of course it's well known by you ladies and gentlemen, that the President's budget includes $1,200,000,000 in cuts for this agency. And again, just by way of reference, you know that this includes a $537,000,000 cut in State Legalization Assistance Grants; a $343,000,000 cut in Low-Income Home Energy Assistance; and a $363,000,000 cut in Community Services block grants.

I guess, Mr. Williams, the most severe cuts anywhere in the Department of Health and Human Services come in this Family Support Administration.

Mr. Williams. Yes, sir, that's correct.

Mr. Natcher. Medicare, of course, is in for it. But when you get the transcript back, take a good look at all these questions and give us good answers. This is one that we will have a number of questions on in markup to present to the full committee and take to the House.

So, these are severe cuts in this section of Health and Human Services.

I wish to thank you, Ms. Thomas. I wish you the best of everything with your assignment, and I thank all of you who are here today to assist in answering these questions.

Mr. Williams, this concludes the hearings on the request for the Department of Health and Human Services. If you would, please, tell the Secretary and those that are concerned about this matter, which is all of us, that the hearings have been good. The hearings have been good, now, Mr. Williams.

Mr. Williams, you know as well as I do that a whole lot of these cuts we can't accept and won't accept, but we promise you this, Mr. Williams, and you tell the Secretary for me, we're going to bring him out a good bill. We'll bring him out one that he likes.

Mr. Williams, knowing you as well as I do, one that you'll like. You may not be able to say much about it, but you'll still like it.

We want to thank you now for your appearance before our committee, and this concludes the hearings for the Department of Health and Human Services. Again, Mr. Williams, thank you very much for being with us throughout the hearings and assisting us.

Mr. Williams. Mr. Chairman, thank you very much. I'll convey that message to the Secretary, and I would like to say that we have all appreciated the opportunity to testify before you and this committee. It's always a pleasure to be here. Thank you very much.

Mr. Natcher. The committee will now adjourn until 10:00 in the morning.

[Questions and answers for the record and the justifications follow:]

Mr. Natcher: In your professional judgement, has the Fish/Wilson Demonstration project been successful in California?

Ms. Thomas: We have had an extensive evaluation done of the Fish/Wilson project in California, which is known as the Refugee Demonstration Project (RDP). A summary of the project and the findings of the evaluators follows:

The California Refugee Demonstration Project (RDP)

On July 1, 1985, the State of California began implementing a 3-year refugee demonstration project (RDP). The RDP is designed to test whether the removal of refugee employment disincentives in the AFDC program, such as the 100-hour rule, will result in more refugees becoming employed and to test the effects of increased employment experience upon refugee self-sufficiency. The project intends to: (1) increase the participation of refugees in employment services and training programs specifically designed for refugees; (2) increase refugees' potential for economic independence by allowing them a transition into entry-level full-time employment without immediately forfeiting the entire cash grant and other benefits; and (3) reduce long-term program costs through grant reductions as a result of employment.

Generally, RDP participants are eligible for the same level of cash assistance that they would receive under AFDC but are subject to the requirements of the RDP, which are similar to those for the refugee cash assistance (RCA) program.

In FY 1989, California applied for and received an extension of the RDP until September 1990 to maintain services to refugees until the California Greater Avenues for Independence (GAIN) program is fully implemented for AFDC clients in all counties.

Touche Ross, under contract to the State of California Department of Social Services, evaluated the results of the first three years of the demonstration. In its Final Report, dated August 18, 1989, it reported mixed results:

- RDP participants entered employment at a higher rate than pre-RDP counterparts - 49% compared to 35%.

With the 100-hour rule waived in the RDP, the percentage of refugees who worked more than 100 hours while on assistance increased substantially from 12 percent for the pre-RDP population to 30 percent for RDP participants.

- o Job duration for the first entered employment did not significantly differ between the two comparison groups --4.9 months on average for employed RDP participants versus 4.7 months for the pre-RDP group. If second jobs which occur soon after the refugee leaves the first job are added to the job duration statistic, the pre-RDP group shows longer duration (6.3. months compared to 5.2 months for RDP clients).

- o Pre- and post- RDP wages, based on data from welfare records and case management files, were similar, about $4 per hour or less.

- o Based on welfare data, the pre-RDP employed refugee had higher average quarterly wages ($832.46) than the RDP comparison group ($765.79).

Pre-RDP welfare grant savings due to employment-related grant reductions and terminations were greater by an estimated $2.3 million than what was achieved under the RDP. Thus, while the RDP helped to increase the rate of refugee employment, it does not appear to have been cost-beneficial to the State.

Mr. Natcher: How much has it cost through 1989 and how much has it saved in reduced cash assistance?

Ms. Thomas: Grants for the California Fish/Wilson project totaled $125.5 million from the beginning of the project in 1985 through FY 1989. The overall refugee dependency rate in California decreased from 90.4% as of September 30, 1985, before the project began, to 80.1% as of September 30, 1989. However, it is not clear to what extent this reduction or other changes would have occurred in the absence of the project.

Mr. Natcher: What actions has the Office of Refugee Resettlement taken to assist California in lowering its refugee welfare dependency rate?

Ms. Thomas: The Refugee Demonstration Project has been the major focus of ORR's initiative during the last few years. In addition, through our Regional Office in San Francisco, the Family Support Administration works closely with the State on an ongoing basis in efforts to advance refugee self-support. We have also held a number of broad-based consultations in California during the last several years, involving many types of participants in the refugee program -- including voluntary resettlement agencies, refugee mutual assistance associations, and service providers, as well as State and local government officials, to seek ways of helping refugees participate more fully in the job market.

Efforts have also been made through the monitoring of targeted assistance programs and other projects to increase their effectiveness in achieving refugee employment and self-support.

Mr. Natcher: Please compare your original 1991 request to OMB and the current request for the Refugee Resettlement program, and tell us what were the respective assumptions regarding the numbers of months of assistance and number of refugees.

Ms. Thomas: The original 1991 request to OMB for the Refugee Resettlement Program totaled $315,351,000 compared with the Department's current request of $368,822,000. The following table presents comparative data for the major program activities for FY 1991:

Program Activity	OMB Request	Current Estimate
Cash/Medical/ Administration	$ 240,712,000	$ 210,000,000
Employment Services	43,000,000	75,000,000
Total, State Administered	$ 283,712,000	$ 285,000,000
Voluntary Agency Programs	25,839,000	40,000,000
Targeted Assistance	-0-	38,052,000
Prevent Health	5,800,000	5,770,000
Total, Budget Authority	$ 315,351,000	$ 368,822,000

The assumptions with respect to the number of refugee arrivals and the number of months of assistance are as follows:

Number of Refugee Arrivals:	OMB Request	Current Estimate
FY 1989	112,500	105,500
FY 1990	84,500	111,000
FY 1991	121,000	110,000
Number of Months of Assistance:		
Categorical benefits (AFDC, SSI, Medicaid)	12	4
Non-Categorical benefits (RCA, RMA)	12	12

STATE LEGALIZATION IMPACT ASSISTANCE

Mr. Natcher: Of the amounts drawn down, what has been the distribution of expenses among health, education and public assistance?

Ms. Thomas: Under the State Legalization Impact Assistance Grant program, we don't require States to categorize drawdowns by Public Assistance, Public Health Assistance, or educational programs. However, the distribution of States' reported actual costs as of April 9, 1990 is: Public Assistance -- 13.9%; Public Health -- 22%; Education -- 51.8%.

Mr. Natcher: What types of education activities are being funded, and what is the average cost per refugee?

Ms. Thomas: Educational activities reimbursable under the State Legalization Impact Assistance Grant program (SLIAG) include: (1) those services allowable under section 607 of the Emergency Immigrant Education Act for eligible legalized aliens (ELAs) enrolled in elementary and secondary schools, e.g. supplementary services necessary to enable ELAs to achieve a satisfactory level of performance in school; and, (2) those services authorized under the Adult Education Act and provided to adult ELAs, including English language and other programs designed to enable ELAs to attain the citizenship skills required by section 245A of the Immigration and Naturalization Act. These "Phase II" programs have accounted for the largest demand on educational providers to date. However, the demand for such classes is decreasing. Already, over two-thirds of section 245A aliens have applied for permanent resident status. By the end of the current fiscal year, this part of the demand for educational services should largely be satisfied. Other activities included in the Adult Education Act are literacy training and instruction leading to the award of a General Equivalency Degree.

Complete information for FY 1989 is not yet available and average cost per ELA varies widely from State to State. However, preliminary data from States with the largest population of ELAs seems to indicate average costs per ELA ranging from less than $150 to approximately $425.

JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING

Mr. Natcher: Please review for the Committee the need to reprogram $11.2 million from JOBS to WIN in 1990 as referenced in the Secretary's letter of March 16.

Ms. Thomas: The FY 1990 appropriation for Payments to States for AFDC Work Programs included $20 million specifically identified for the funding of WIN/WIN Demonstration projects which are to be phased-out as States implement their JOBS programs. However, this $20 million discretionary amount is insufficient to fund the phase-out of FY 1990 WIN/WIN Demonstration activities. Accordingly, in order to provide adequate funding for these projects, the Department has sought to inform the Committee of the need to increase the amount of WIN/WIN Demonstration funding by $11.2 million from amounts which were indentified and funded for the JOBS program.

Mr. Natcher: Does this reprogramming require formal Committee approval?

Ms. Thomas: The Department does not believe that formal Committee approval is required since indefinite funding authority is provided for both JOBS and WIN to meet unanticipated costs in these programs.

Mr. Natcher: Unlike the JOBS program, the transitional and JOBS child care program is not capped. What was the total expenditure for JOBS and transitional child care in 1989, and what are the estimates in 1990 through 1995?

Ms. Thomas: In FY 1989, $17,242,000 was spent for Work Programs (JOBS) child care. The estimates for JOBS-related and transitional child care in future fiscal years are as follows (in millions of dollars):

FY 1990	$206*
FY 1991	489*
FY 1992	632
FY 1993	671
FY 1994	735
FY 1995	821

*Includes $13 million for State child care licensing grants.

WELFARE HOTELS

Mr. Natcher: Do you have any results to report on the welfare hotel alternative demonstration projects?

Ms. Thomas: On April 6, 1990, a program announcement was published in the Federal Register announcing the availability of funds and requesting applications by July 5. It is expected that 2 or 3 states will be selected as grantees and awards made in September 1990.

Funding of $20 million for these demonstrations was included in the FY 1990 HHS Appropriations Act (Pub. L. 101-166). These dollars will fund a one-time demonstration program authorized by the Stewart B. McKinney Homeless Assistance Act, to move homeless AFDC families out of so-called "welfare hotels" and into transitional housing.

EMERGENCY ASSISTANCE

Mr. Natcher: Your 1991 budget assumes $35 million in savings from proposed Emergency Assistance regulations. When will they be published, and when realistically do you expect them to be in effect?

Ms. Thomas: We expect to publish a Notice of Proposed Rulemaking (NPRM) on the Emergency Assistance (EA) program early this summer. The NPRM will be written along the lines of the recommendations that were made in the July 1989 Report to Congress. The Department recommended that the revised NPRM submitted by the Secretary on July 3, 1989 prohibit reimbursement under the EA program for assistance for periods beyond 30 consecutive days in a 12-month period. However, the revised NPRM would continue to allow the use of EA funds to prevent evictions and utility cut offs by paying past due rent and utility costs, and the use of funds to assist homeless families to secure permanent housing by covering the first month's rent and security deposit. The Department intends to publish proposed regulations on the use of EA funds on October 1, 1990.

CHILD SUPPORT ENFORCEMENT

Mr. Natcher: In 1990, Child Support Enforcement grants to States were reduced by $18 million due to sequestration. How did you implement this cut?

Ms. Thomas: The amount of the sequestration was implemented by reducing the Federal matching rate for enhanced ADP systems costs from 90 percent to 88.4 percent and for other allowable program administration costs from 66 percent to 64.8 percent.

LOW INCOME HOME ENERGY ASSISTANCE

Mr. Natcher: Now that we are at the end of the heating season, review for us what happened this year to energy prices and consumption among low-income households.

Ms. Thomas: We do not yet have any information on how the events of this heating season affected low-income households. On average, the winter was warmer than normal. However, the cold December on the East Coast and in the Midwest and Gulf Coast States caused market prices for home heating fuels to rise. According to the Department of Energy, residential heating oil prices increased by about 25 cents per gallon in December over the previous month.

Demand for residential heating oil increased about 1 million barrels per day nationally, or 31%, to 4.1 million barrels per day in December. Strong demand for propane in 1989 emerged in October and November and consumption reached its highest level in December.

Percent of Households Using Major Types of Heating Fuels,

FY 1988

	Percentage of Households		
Heating Fuels	All Households	Low Income Households	LIHEAP Recipient Households
Natural Gas	55.2%	55.1%	56.0%
Electricity	19.8	15.3	11.0
Fuel Oil	12.0	12.7	12.6
Kerosene	1.5	2.5	3.6
LPG	4.6	6.4	9.7
Other	6.1	7.0	6.6

Source: Department of Energy, Energy Information Administration.

Since early January, prices have begun to drop. Wholesale heating oil prices in mid-March were at or below the prices in November, before the December price hike. Retail prices have begun to level off considerably from early January--almost to the levels at the beginning of the December cold wave:

Average Prices, Residential/Retail
(cents per gallon, heating oil).

Source: Energy Information Administration

	11/6/89	12/4/89	1/2/90	2/5/90	3/5/90
New England	.95	.97	1.47	1.09	1.01
Central Atlantic	.94	.96	1.37	1.08	1.03
Midwest	.85	.87	1.13	.94	.90

	Average for period 11/6/89 - 3/5/90	% increase 3/5/90 vs 11/6/89
New England	1.10	+ 6%
Central Atlantic	1.08	+ 9%
Midwest	.94	+ 6%

Wholesale prices for propane are currently at or below prices at the beginning of the December cold snap. Retail prices are still high, but have begun to drop significantly from a peak high in mid-January as seen on the next page:

Average Prices, Residential/Retail
(cents per gallon, propane)

Source: Energy Information Administration

	12/1/89	1/11/90	2/6/90	2/20/90	3/5/90
New England	1.03	1.50	1.34	1.22	1.17
Central Atlantic	.95	1.40	1.27	1.17	1.10
Midwest	.78	1.13	1.01	.97	.92

	Average for period 12/1/89 - 3/5/90	% increase 3/5/89 vs 12/1/89
New England	1.25+	14%
Central Atlantic	1.18+	16%
Midwest	.96+	18%

Mr. Natcher: Did State energy assistance programs close earlier than usual this year because of increased demand at the start of the season?

Ms. Thomas: Our FY 1990 winter telephone survey indicates that no states reported earlier program closings as a reason for significant decreases in the number of heating or crisis assistance applications received during the first 3 months of FY 1990 compared to the first 3 months of FY 1989.

The LIHEAP block grant gives States the flexibility to target assistance to the households which have the greatest need. To respond to the uneven weather and temporary energy price increases, States can adjust their LIHEAP eligibility standards and benefit levels, the amounts transferred or carried over, and types of assistance provided, to best meet the needs of their citizens. Below are examples of how some states coped with program start-up this year.

- Delaware reprogrammed $10,000 of administrative funds into the crisis program because crisis funds were rapidly depleting due to the cold weather.

- Massachusetts is considering using its crisis assistance reserve funds to continue its heating program, if necessary.

- Ohio and Indiana have designated petroleum overcharge funds for use under their FY 1990 LIHEAP programs to respond to the recent cold weather and energy price increases.

- North Dakota and South Dakota are not using LIHEAP funds for weatherization. They have reprogrammed the funds into regular heating assistance.

- Five states (Massachusetts, Maine, Vermont, New Hampshire and Iowa) have requested third quarter funds in the first half of the fiscal year. All of these states have received these funds.

- Minnesota scaled back on their conservation program efforts in order to assist households with regular heating and crisis assistance.

Mr. Natcher: Revenues available to States from oil overcharge settlements seem to be declining. How much funding is currently available from these settlements and how much do you estimate will be distributed to States in 1991?

Ms. Thomas: About $4 billion has been distributed to the States in oil overcharge funds from FY 1981 to date. This includes the $2.1 billion distributed from Exxon funds and the $1.3 billion so far distributed from Stripper Well funds. The States have designated virtually all Exxon funds for program projects. Of the $1.3 billion so far distributed under the Stripper Well agreement, $292 million remains undesignated and/or available to the States. These funds may still be spent in approved program areas, including low income home energy assistance. Additional oil overcharge funds will be available to the states from the settlement reached with Texaco, Inc. Texaco agreed to pay $1.25 billion to the Department of Energy (DOE) over six years, with an initial installment of $400 million paid in FY 1989.

Based on our communications with DOE, approximately $350 million will be distributed to the States in FY 1990, and approximately $100 million is expected for distribution in FY 1991. The $350 million projected for FY 1990 includes $86 million already distributed to the States. The $100 million estimated for FY 1991 consists mainly of funds from the Texaco settlement. States can expect to see approximately $350 million as their share of the Texaco settlement from FY 1990 through FY 1994. The expected annual distribution of these funds to the States, based on the Texaco formula, is $76 million for FY 1990 (distributed on March 1, 1990) and $66 million for each of fiscal years 1991-1994.

The Department of Health and Human Services (HHS) does not control and cannot predict the date of actual distribution of additional oil overcharge funds. DOE is the source for information and estimates regarding the amount and distribution schedule of future settlements. The $350 million that States are expected to receive in FY 1990 and the $100 million expected in FY 1991 represent monies from Texaco, DOE's Deposit Funds Escrow account, and several court escrow accounts. It should be noted that these amounts are estimates and could vary significantly since these funds are generated by court orders and voluntary settlements, which are not controlled by either DOE or HHS.

Mr. Natcher: As you know, $60 million of the 1990 appropriation for low income home energy will become available on September 30, 1990. Review for us how you will allocate these funds to the States, as well as the rest of the 1990 appropriation. Is the combined allocation to States the same as it would have been if all the funds were distributed at the same time?

Ms. Thomas: Public Law 101-166 appropriates $1.393 billion for the Low Income Home Energy Assistance Program (LIHEAP) for fiscal year 1990 and directs that $60 million of this total shall not become available for making payments to grantees until September 30, 1990. The conference report accompanying Public Law 101-166 provides the following direction for award of the $60 million in delayed funding:

> "Any State or Territory with a carryover balance on October 1, 1989 will not be provided before September 30, 1990 with that portion of its allotment for fiscal year 1990 as bears the same ratio to $60 million as its carryover balance bears to the total of all the carryover balances on October 1, 1989."

In response to this direction, we asked the States and Puerto Rico to confirm the amount of LIHEAP funds--if any--that they carried over from FY 1989 to FY 1990.

Distribution of $60 Million in Delayed FY 1990 LIHEAP Funding

Distribution of $60 million in delayed FY 1990 LIHEAP funds to be awarded on September 30, 1990, to states and Puerto Rico in accordance with the Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act (Public Law 101-166)

	Carryover from FY 1989 to FY 1990	Percent of Total Carryover	Amount of Delayed Funding
Total	$53,721,644	1.00000000	$60,000,000
Alabama	1,130,000	0.02103435	1,262,061
Alaska	660,758	0.01229966	737,981
Arizona	533,786	0.00993614	596,168
Arkansas	1,263,744	0.02352393	1,411,436
California	36,485	0.00067915	40,749
Colorado	3,310,616	0.06162537	3,697,522
Connecticut	53,722	0.00100001	60,000
Delaware	325,340	0.00605603	363,362
Dist. of Col.	370,320	0.00689331	413,599
Florida	2,535,482	0.04719666	2,831,799
Georgia	1,018,453	0.01895796	1,137,478
Hawaii	14,965	0.00027857	16,714
Idaho	807,068	0.01502314	901,389
Illinois	3,700,000	0.06887354	4,132,413
Indiana	0	0.00000000	0
Iowa	938,436	0.01746849	1,048,109
Kansas	85,029	0.00158277	94,966
Kentucky	365,724	0.00680776	408,466
Louisiana	1,606,129	0.02989724	1,793,834
Maine	714,445	0.01329902	797,941
Maryland	0	0.00000000	0
Massachusetts	0	0.00000000	0
Michigan	1,009,322	0.01878800	1,127,280
Minnesota	2,005,311	0.03732780	2,239,668
Mississippi	536,061	0.00997849	598,710
Missouri	372,636	0.00693642	416,185
Montana	1,164,536	0.02167726	1,300,636
Nebraska	582,719	0.01084701	650,820
Nevada	0	0.00000000	0
New Hampshire	262,162	0.00488001	292,800
New Jersey	1,920,846	0.03575553	2,145,332
New Mexico	955,944	0.01779439	1,067,664
New York	11,000,000	0.20475918	12,285,551
North Carolina	791,358	0.01473073	883,844
North Dakota	1,307,692	0.02434200	1,460,520
Ohio	472,027	0.00878653	527,192
Oklahoma	110,000	0.00204759	122,855
Oregon	48,193	0.00089709	53,825
Pennsylvania	1,851,474	0.03446421	2,067,853
Puerto Rico	62,519	0.00116376	69,825
Rhode Island	50,000	0.00093072	55,843
South Carolina	541,774	0.01008484	605,090
South Dakota	371,709	0.00691917	415,150
Tennessee	664,612	0.01237140	742,284
Texas	3,413,672	0.06354370	3,812,622
Utah	675,582	0.01257560	754,536
Vermont	0	0.00000000	0
Virginia	508,119	0.00945837	567,502
Washington	185,138	0.00344626	206,776
West Virginia	419,590	0.00781045	468,627
Wisconsin	2,700,000	0.05025907	3,015,544
Wyoming	268,141	0.00499130	299,478

HHS/FSA/OCS/OEA/1-5-90

(For administrative efficiency reasons, we decided not to include any carryover amounts of less than $25,000. This eliminated all of the territories except Puerto Rico.) Then, we calculated shares of the delayed funding for each State that carried funds forward, and for Puerto Rico, in accordance with this formula:

$$\frac{\text{Amount of grantee's carryover from FY 1989 to FY 1990}}{\text{Total amount of funds carried over by States and Puerto Rico}} \times \$60 \text{ million} = \text{Amount to be held for that grantee until 9/30/90}$$

The following table shows the LIHEAP funds carried over from FY 1989 to FY 1990 by each State and Puerto Rico, each grantee's percent of the total carryover, and the amount of delayed funding for each grantee that carried over funds. We are awarding the remainder of the allotments of these grantees according to our usual procedures. The combined allocation for each of these grantees is the same as it would have been if all funds had been distributed according to usual procedures. All grantees will receive their full allotments, as calculated under the LIHEAP statute's allocation formulas. We are awarding the entire allotments of States which did not carry funds forward from FY 1989 to FY 1990, of territories other than Puerto Rico, and of direct Indian tribal grantees, according to our usual procedures.

Mr. Natcher: What research activities would be discontinued with your reduced 1991 request?

Ms. Thomas: This level of research appropriations in 1990 enabled us to execute multi-year funding for a significant number of projects. Consequently, the funding pressure for 1991 was reduced. Our smaller request for next year will, therefore, not result in any research activities being discontinued.

PROGRAM ADMINISTRATION

Mr. Natcher: Your budget requests an additional $1.8 million for pay raises. However, the object class schedule only reflects an additional $850,000 for personnel and benefits. How do you reconcile these figures?

Ms. Thomas: Our annualized pay raise for 1991 is $1,276,500. However, since the proposed pay raise is not expected to become effective until well into fiscal year

1991, the estimated budget cost is likely to be significantly less than the annualized amount.

Mr. Natcher: Provide a table which displays FSA's request to OMB and the current request by account.

Ms. Thomas: Below is a table that displays FSA's request to OMB and OMB's budget allowances by appropriation account.

FY 1991 Family Support Administration Estimates
(Dollars in Millions)

Program Activity	FSA Request	OMB Allowance	Increase or Decrease
Family Support Payments to States	$ 11,466.4	$ 12,657.2	+$1,190.8
Family Support Activities	762.7	1,000.0	+237.3
LIHEAP	1,000.0	1,050.0	+50.0
Refugee Assistance Program	315.3	368.8	+53.5
Community Services	42.0	42.0	--
SLIAG	415.3	302.6	-112.7
Assistance for Puerto Rico	---	825.0	+825.0
Program Administration	86.7	77.2	-9.5
Total	$14,088.4	$16,322.8	+$2,234.4
Full-Time Equivalent Employment	1059	1029	-30

Mr. Natcher. What were the major items which were subsequently excluded or reduced in your current budget request.

Ms. Thomas. The major items that were reduced were the number of FTE's and associated program administration allowances, and estimated State Legalization Impact Assistance Grants.

REPATRIATION ASSISTANCE

Mr. Natcher: What is the total Federal expenditure for repatriation loans since the beginning of the program?

Ms. Thomas: We have prepared a table that shows the fiscal years, applicable section of the law, and the total funds obligated.

FUNDS OBLIGATED

Fiscal Year	Section 1113	P.L. 86-571	Total
1974	$175,397	$ 533,914	$ 709,293
1975	318,771	554,193	872,964
1976	220,876	670,985	891,861
1977	N/A	N/A	877,935
1978-1982	NO INFORMATION AVAILABLE		
1983	264,336	921,948	1,186,284
1984	286,583	709,511	996,093
1985	266,217	615,268	881,484
1986	279,784	658,237	938,021
1987	174,367	290,373	465,340
1988	79,617	132,773	212,390
1989	300,000	73,149	373,149

Mr. Natcher: How many repatriation loans are outstanding and what is the total value of these loans?

Ms. Thomas: As of March 31, 1990 there were 1,628 accounts receivable with a total dollar value of $1,165,695.74.

Mr. Natcher: How many of those loans are you currently receiving payments on?

Ms. Thomas: We are actively seeking repayment on all 1,628 outstanding loan accounts. For the period October 1,1989 through March 31,1990, collections amounted to $8,742.87. Collections for FY 1989 as a whole totaled $23,038.78, from 97 separate loan accounts.

CHILD SUPPORT ENFORCEMENT

Mr. Natcher: Has the contract for the National Child Support Enforcement Network been awarded yet?

Ms. Thomas: Significant progress has been made in the Child Support Enforcement Network (CSENET) but the actual contract is unlikely to be awarded until FY 1991. The pre-solicitation phase of the CSENET procurement has been completed. FSA has obtained all necessary clearances including a delegation of procurement authority and funding authorization. A protest, however, filed by MCI communications has suspended publication of the CSENET Request for Proposal.

Mr. Natcher: Does your request include funding for the Interstate Child Support Enforcement Commission?

Ms. Thomas: Congress has appropriated $1 million for the Commission for FY 1990. No funding is specifically requested for the Commission in FY 1991.

Mr. Natcher: Provide a comparison of the original estimate and actual Child Support Enforcement collections for 1985 to 1989.

Ms. Thomas: The following table compares the original estimate and actual amount of collections distributed for the Child Support Enforcement program for fiscal years 1985 to 1989:

Total Child Support Collections Distributed, 1985-1989
($ in Millions)

	Budget Estimates	Actual Collections
FY 1985		
Total Collections	NA	$ 2,694
AFDC	1,033	1,090
Non-AFDC	NA	1,604
FY 1986		
Total Collections	2,937	3,245
AFDC	1,153	1,226
Non-AFDC	1,784	2,019
FY 1987		
Total Collections	3,271	3,918
AFDC	1,293	1,349
Non-AFDC	1,978	2,569
FY 1988		
Total Collections	3,923	4,613
AFDC	1,472	1,483
Non-AFDC	2,451	3,129
FY 1989		
Total Collections	4,971	5,254
AFDC	1,745	1,595
Non-AFDC	3,226	3,659

JOB OPPORTUNITIES AND SKILLS TRAINING

Mr. Natcher: Provide a comparison of the Administration's and the Congressional Budget Office's projections for the JOBS program for 1989-1994, identifying separately the costs of child care.

Ms. Thomas: We have been informed that CBO is preparing new baseline numbers for 1990. Once these revised projections are available, we will submit updated comparisons of them with the Administration's projections.

Mr. Natcher: What will be the total cost of the JOBS program in 1991, and how much is the Federal share?

Ms. Thomas: We estimate that if States were to utilize the full $1 billion in requested Federal budget authority for the JOBS program in FY 1991, combined spending - Federal, State and local - would total $1.6 billion. This estimate excludes approximately $1.0 billion in aggregate Federal and State child care costs and does not take account of spending for current and ongoing JOBS-associated activities which States are required to maintain as a condition for their participation in the JOBS program.

VOLUNTARY AGENCIES PROGRAM

Mr. Natcher: In 1990, an additional $15 million was made available in the Foreign Operations appropriations bill for voluntary agencies. Were those funds used for refugees admitted in 1989 or 1990?

Ms. Thomas: These funds are being used in FY 1990 for refugees who arrived in 1989.

Mr. Natcher: Provide a table for 1989 through 1991, showing funding for voluntary agencies from all Federal sources and the number of refugees they served.

Ms. Thomas: We have information on the award of Federal refugee funds to the national voluntary refugee resettlement agencies under the voluntary agency matching-grant program administered by our Office of Refugee Resettlement. Funding to voluntary agencies from other sources is not available. Funding under the matching-grant program is as follows:

Fiscal Year	Funds Awarded	Refugees Served
1989	$15,808,000	16,518*
1990 (estimate)	40,000,000	41,800
1991 (request)	40,000,000	41,800

*Several thousand additional refugees were served in the same manner in FY 1989 although additional Federal matching-grant funds were not available; costs associated with these additional refugees will be addressed with the $14,936,000 available to the Office of Refugee

Resettlement under the FY 1990 Foreign Operations Appropriations Act.

REFUGEE CASH AND MEDICAL ASSISTANCE

Mr. Natcher: Provide a table which shows cash and medical assistance and State administrative costs to administer this program from 1986 to 1990.

Ms. Thomas: the following table shows cash and medical assistance and State administration costs (CMA) for the Refugee and Entrant Assistance program for fiscal years 1986-1989. Data for FY 1990 are not complete.

Fiscal Year	CMA Costs (Dollars in Thousands)
1986	$327,356
1987	321,687
1988	298,868
1989	324,851

Mr. Natcher: Provide a six-year table from 1986 to 1991 which shows the number of refugees and months of Federal support for cash and medical assistance.

Ms. Thomas: The requested data are presented below.

RECIPIENTS OF REFUGEE ASSISTANCE, FY 1986-89

Fiscal Year	Average Number of Recipients
1986	108,777
1987	93,961
1988	77,993
1989	89,037
1990	55,660
1991	49,503

FEDERAL REIMBURSEMENT FOR STATE COSTS

Categorical Assistance (AFDC/SSI/Medicaid):	Months of Reimbursement
January 1990 - Present	4 months
February 1988 - December 1989	24 months
March 1986 - January 1988	31 months
Prior to March 1986	36 months
Non Categorical (RCA/RMA):	
October 1988 - Present	12 months
April 1982 - October 1988	18 months
Prior to April 1982	36 months

Non-Categorical (GA/GMA):

January 1990 - Present	0 months
October 1988 - December 1989	12 months
February 1988 - September 1988	6 months
March 1986 - January 1988	13 months
April 1982 - February 1986	18 months
Prior to April 1982	0 months

Key: AFDC = aid to families with dependent children. SSI = supplemental security income. RCA = refugee cash assistance. RMA = refugee medical assistance. GA = general assistance. GMA = GA medical assistance.

Mr. Natcher: 1990 was the first year in which a distinction has been made between categorical and non-categorical assistance for refugees. Can this be done by administrative action?

Ms. Thomas: Although FY 1990 is the first year in which Federal refugee funding for categorical assistance is for a shorter period than non-categorical funding, a distinction between categorical and non-categorical assistance for refugees has been made since 1978. Differences in the duration of Federal funding have occurred since 1982 when the special non-categorical programs of refugee cash assistance (RCA) and refugee medical assistance (RMA) were reduced by regulation from 36 months to 18 months from a refugee's date of arrival in the United States, while Federal refugee funding for categorical assistance (AFDC and SSI) remained at 36 months. In 1986, the categorical funding was reduced to 31 months while RCA and RMA remained at 18 months. Subsequently, RCA and RMA were further reduced by regulation to 12 months effective October 1, 1988, while categorical funding remained at 24 months.

The duration of RCA and RMA is governed by regulation, while the duration of funding for the categorical programs is solely a function of the funds available, within the 36-month statutory limit of the Refugee Act.

Mr. Natcher: How much additional funding would be required to provide 12 and 24 months of cash and medical assistance for all refugees in 1991?

Ms. Thomas: An additional $50 million would be required in FY 1991 in order to provide 12 months of cash and medical assistance for all refugees, including State administration costs, and approximately $140 million additionally would be required to provide 24 months of assistance benefits.

Mr. Natcher: Provide the number and percentage of new refugee arrivals by State for 1989.

Total Refugee and Amerasian Arrivals by State of Initial Resettlement: FY 1989

State	Total Arrivals	Percent
Alabama	219	0.2%
Alaska	27	a/
Arizona	1,074	1.0
Arkansas	120	0.1
California	31,089	29.1
Colorado	1,057	1.0
Connecticut	1,141	1.1
Delaware	58	a/
District of Columbia	951	0.9
Florida	5,028	4.7
Georgia	1,492	1.4
Hawaii	275	0.3
Idaho	245	0.2
Illinois	5,148	4.8
Indiana	228	0.2
Iowa	868	0.8
Kansas	524	0.5
Kentucky	315	0.3
Louisiana	389	0.4
Maine	183	0.2
Maryland	1,839	1.7
Massachusetts	4,345	4.1
Michigan	1,679	1.6
Minnesota	2,866	2.7
Mississippi	97	a/
Missouri	1,078	1.0
Montana	61	a/
Nebraska	365	0.3
Nevada	298	0.3
New Hampshire	253	0.2
New Jersey	2,184	2.0
New Mexico	237	0.2
New York	20,033	18.7
North Carolina	711	0.7
North Dakota	113	0.1
Ohio	1,261	1.2%
Oklahoma	340	0.3
Oregon	1,853	1.7
Pennsylvania	3,670	3.4
Rhode Island	482	0.5
South Carolina	81	a/
South Dakota	133	0.1
Tennessee	675	0.6
Texas	4,053	3.8
Utah	618	0.6
Vermont	184	0.2
Virginia	1,415	1.3
Washington	3,685	3.4

State	Total Arrivals	Percent
West Virginia	18	a/
Wisconsin	1,809	1.7
Wyoming	28	a/
Guam	4	a/
Other	3	a/
Total	106,902	100.0%

a/ Less than 0.1 percent.

Mr. Natcher: Provide a historical table showing refugee arrivals by major area and total Federal appropriations for 1975 to 1991.

Ms. Thomas: The requested information is provided below.

APPROPRIATIONS: REFUGEE AND ENTRANT ASSISTANCE

Fiscal Year	Appropriation ($ in Millions)
1975	$ 90.0
1976	238.0
1977	132.0
1978	196.0
1979	235.3
1980	516.9
1981	901.7
1982	689.7
1983	585.0
1984	541.8
1985	444.4
1986	403.4
1987	339.6
1988	346.9
1989	382.4
1990	368.8
1991 (request)	368.8
Total	$6,780.7

Mr. Natcher: What are some of the more successful discretionary State refugee projects and how do they operate? Would expanding these programs be a net savings to the Federal government?

Ms. Thomas: The more successful projects include the Refugee Early Employment Project in Oregon, under the Fish/Wilson Amendment; Key States Initiative Projects in Wisconsin and Washington; and Planned Secondary Resettlement Projects. Information on some of these projects is presented below.

Based on the results achieved, we believe that expanding these programs in other areas with high dependency rates can be helpful in reducing costs, and ORR is continuing to seek such expansions.

Key States Initiative (KSI)

In FY 1989, ORR continued into the third year of its Key States Initiative to respond to the persistence of high welfare dependency, including Cooperative Agreements with four States -- New York, Minnesota, Wisconsin, and Washington. The Agreements provide financial support to enable the States to implement individualized plans to increase employment and reduce welfare dependency among targeted populations in selected communities. The States have identified the target populations, designed strategies to reduce welfare dependency through increased employment, and implemented services based on those strategies. The best results to date have been obtained in Wisconsin and Washington.

The Wisconsin KSI has had outstanding results in its two years of operation. In FY 1989, 489 KSI clients were placed in full-time jobs at an average hourly wage of $5.60, while 127 clients were placed in part-time jobs. Welfare terminations were achieved for 313 families and grant reductions for 79 families, as a result of increased employment.

As of the end of 2 years, 482 families, or 2,700 individuals, in KSI had left welfare, and 196 families had reduced grant levels due to employment. On an annualized basis, these terminations and reductions represent welfare savings of approximately $1.9 million in State and Federal funds.

Washington's performance was similarly noteworthy. In FY 1989, almost 1,200 clients received pre-employment training, and of these, 429 secured employment. A separate program, designed to provide reimbursement for job-related expenses for refugees who, through earned income, reduce or end reliance on public assistance, resulted in 218 welfare grant reductions and terminations for net savings of $305,134.

Planned Secondary Resettlement (PSR) Program

The Planned Secondary Resettlement (PSR) program provides an opportunity for unemployed refugees and their families to relocate from areas of high welfare dependency to communities in the U.S. that offer favorable employment prospects. Secondary resettlement assistance and services are provided to refugees who participate in a planned relocation. Eligibility is limited to refugees who have lived in the U.S. for 18 months or more and who have experienced continuing unemployment.

PSR grants are conducted in two phases: (1) a planning phase to assess and prepare prospective receiving communities and to identify and prepare interested refugees for participation in PSR; and (2) a resettlement phase to implement a planned relocation involving the provision of services to facilitate adjustment and prompt employment.

Eligible grantees include States and public and private non-profit organizations that have had demonstrated experience in the provision of services to refugees, such as refugee mutual assistance associations (MAAs) and national and local voluntary agencies. As of the end of FY 1989, there were six PSR grantees: four mutual assistance associations, and two voluntary agencies.

PSR projects have shown the following outcomes for families resettled since FY 1983:

Number of PSR Participants -- To date, 226 families (1,150 individuals) have relocated from high welfare areas to self-sufficient communities through the PSR program.

Employment -- All families found full-time employment soon after arrival in the PSR communities. The majority of PSR families are now multiple wage-earner families with both husbands and wives working. Almost 90 percent work in production jobs in factories, including electronic assembly, furniture-making, and textiles. Men are earning an average of $6.51/hour and women an average of $5.75/hour.

Family Income -- Average monthly income has increased dramatically after relocation. Monthly family income ranged from an average of $1,300 for FY 1989 projects to $2,000 for projects with several years of experience.

Welfare Dependency -- With the exception of three elderly refugees on SSI, welfare utilization decreased from 100% prior to relocation to zero after relocation.

Home Ownership: To date, 45 PSR families have become self-sufficient enough to become homeowners.

Secondary Migration -- The staying power of planned secondary resettlements is high. Approximately 95 percent of the refugees who have participated in PSR since FY 1983 have remained in their new communities.

Costs and Benefits -- In FY 1989, the average cost of resettling families through the PSR program was $10,000 per family, while average welfare cost savings to the government were estimated at $987 a month per family. At this rate, PSR families, on average, repay the cost to the government in just 10 months.

STATE LEGALIZATION IMPACT ASSISTANCE

Mr. Natcher: How much has been spent by States for outreach activities and employment discrimination prevention under SLIAG?

Ms. Thomas: The only outreach activities allowed under the State Legalization Impact Assistance program (SLIAG) before the enactment of Public Law 101-238 were for educational programs. The Department has no information on this activity since there is no requirement that States report it separately.

Public Law 101-238 -- enacted in December 1989 -- authorized SLIAG funds to be spent on outreach for Phase II of the legalization program and for anti-discrimination education. In January and February 1990, the Department issued guidance relating to these activities to States. To date, only one State has submitted an amendment to its 1990 SLIAG application for including anti-discrimination education activities.

PROGRAM ADMINISTRATION

Mr. Natcher: Separately identify the increased costs of the 1990 and 1991 pay raises, and the amounts absorbed.

Ms. Thomas: The increased cost of the 1990 pay raise was estimated to be $1,281,000 based on 1029 FTE's and a 3.6% pay raise with full absorption. The increased cost of the annualized 1991 pay raise was estimated to be $1,276,500 with 50% absorption based on 1029 FTE's and a 3.5% pay raise.

COMMUNITY SERVICES BLOCK GRANT PROGAM

Mr. Natcher: What would be the impact on local Community Action Agencies if the Community Services Block Grant Program is terminated?

Ms. Thomas: In testimony before the Congress in 1986 the Associate Director of the General Accounting Office (Mr. Gadsby) stated that of the 16 Community Action Agencies that GAO had reviewed, CSBG funding amounted to less than 11 percent at 9 of those locations. In its last published statistical report on the CSBG Program (which covered activities in 1987), the National Association for State Community Services Programs indicated that CSBG funds made up 8% of the total agency funding. Based on these figures, we believe that the impact of the loss of CSBG funds will be minimal.

RESEARCH AND DEVELOPMENT

Mr. Natcher; Provide your 1990 and 1991 research plan.

Ms. Thomas: Virtually all of the Family Support Administration's research funding in 1990 is going toward demonstration, studies and evaluations of Family Support Act activities. Of the $10.2 million in research funding appropriated for FY 1990, approximately $4.7 million is planned to support JOBS and AFDC-related projects; $1.8 million for child support activities; $3.5 million for jobs development projects; and $170 thousand for an annual survey of refugees. Planning for FY 1991 will continue to focus on Family Support Act demonstration projects and evaluation studies.

Mr. Natcher: Under what authority is the Administration requesting welfare hotel alternative demonstration project funding in the Department of Housing and Urban Development [for FY 1991]?

Ms. Thomas: The Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (Pub. L. 100-628) authorized $20 million for a demonstration program in 2 to 3 States to move homeless AFDC families out of commercial transient facilities, or so-called "welfare hotels", and into transitional housing. Funding of $20 million was included in the FY 1990 HHS appropriations act (Pub. L. 101-166) to carry out this one-time demonstration program.

In separate action, the President's Budget for FY 1991 proposes adding an additional $20 million to an existing transitional housing program for homeless persons in HUD. This is not meant to be an extension of or replacement for the HHS "welfare hotel" demonstration program.

Mr. Natcher: How much has been spent on Demonstration Partnership projects from 1987 to 1990, and how many projects have been funded? When will the Department disseminate the results of these projects throughout the country as required by law?

Ms. Thomas: Thirty two projects were funded between FY 1987 and FY 1989 for a total grant cost of $7,309,000. FY 90 grants have not yet been made. The amount of funds available for FY 1990 is $3,495,287.

We currently are editing a conference monograph which describes the results of the projects which have been completed, i.e. the five projects funded in FY 1987. We anticipate disseminating those results sometime within the next two months.

LOW INCOME HOME ENERGY ASSISTANCE (LIHEAP)

Mr. Natcher: Provide a table showing by State oil overcharge funds distributed to date, the total designated for use, the total designated for LIHEAP, and the total undesignated.

Ms. Thomas: The following table provides a state-by-state summary on the uses of Exxon and Stripper Well funds, based on the most recent status reports furnished to us by the Department of Energy (DOE). Also presented are DOE summaries of all oil overcharge funds distributed to the States through October 19, 1989.

Mr. Natcher: Provide a chart showing a fuel price index weighted by type of fuel usage by low income households for 1980-1990.

Ms. Thomas: Residential fuel prices for electricity, natural gas, and fuel oil have been converted to dollars per million btu's (mmbtu) for the period 1980 to 1988.

Current dollars: Overall fuel prices increased steadily from 1980 to 1985, and have fluctuated at a somewhat lower level since then. With respect to the three fuel types (see table 1):

- o electricity prices peaked in 1985 and have since been approximately stable at the 1985 level or slightly lower,
- o natural gas prices peaked in 1985 and have fallen since then, and
- o fuel oil prices peaked in 1981 and have generally fallen since then.

Constant dollars: When fuel prices are adjusted for inflation (using 1988 dollars), overall fuel prices rose between 1980 and 1983 and have fallen steadily since

OIL OVERCHARGE SUMMARY (From FY 1986 to date)
EXXON and STRIPPER WELL FUNDS/Based on DOE Status Reports
Available Funds through 3/1/90

	Total AVAILABLE FUNDS	Total DESIGNATED FUNDS*	LIHEAP DESIGNATED FUNDS	LIHEAP Funds % of Total Designated	Total UNDESIGNATED FUNDS
Alabama	$52,345,710	$49,418,796	$7,779,465	15.74%	$2,926,914
Alaska	$13,357,380	$12,345,024	$0	0.00%	$1,012,356
Amer Samoa	$605,449	$623,947	$50,000	8.01%	$0
Arizona	$35,043,081	$33,203,279	$1,400,000	4.22%	$1,839,802
Arkansas	$42,671,667	$37,699,005	$1,880,000	4.99%	$4,972,662
California	$314,964,490	$344,620,930	$66,360,000	19.26%	$0
Colorado	$36,843,559	$36,587,722	$1,682,350	4.60%	$255,837
Connecticut	$57,209,589	$56,749,569	$28,100,269	49.52%	$460,020
Delaware	$16,177,723	$11,683,875	$100,000	0.86%	$4,493,848
DC	$7,742,222	$7,483,777	$2,867,553	38.32%	$258,445
Florida	$158,805,738	$134,635,892	$0	0.00%	$24,169,846
Georgia	$75,879,854	$94,419,479	$25,842,254	27.37%	$0
Guam	$5,037,493	$370,243	$0	0.00%	$4,667,250
Hawaii	$23,509,752	$18,380,000	$0	0.00%	$5,129,752
Idaho	$14,081,592	$13,252,405	$0	0.00%	$829,187
Illinois	$156,437,567	$165,643,000	$51,500,000	31.09%	$0
Indiana	$83,985,409	$73,280,547	$29,444,427	40.18%	$10,704,862
Iowa	$44,537,101	$52,412,529	$5,400,000	10.30%	$0
Kansas	$38,683,218	$26,016,650	$13,293,693	51.10%	$12,666,568
Kentucky	$44,275,439	$21,981,846	$420,000	1.91%	$22,293,593
Louisiana	$82,782,231	$73,131,288	$0	0.00%	$9,650,943
Maine	$24,754,615	$23,855,000	$2,000,000	8.38%	$899,615
Maryland	$59,935,135	$57,787,285	$11,639,109	20.14%	$2,147,850
Massachusetts	$115,305,954	$112,900,000	$16,850,000	14.92%	$2,405,954
Michigan	$115,750,848	$122,935,016	$60,900,000	49.54%	$0
Minnesota	$58,864,211	$65,427,700	$5,500,000	8.41%	$0
Mississippi	$46,342,397	$46,722,227	$3,370,000	7.21%	$0
Missouri	$67,449,163	$58,672,891	$3,860,000	6.58%	$8,776,272
Montana	$15,528,216	$16,098,231	$0	0.00%	$0
Nebraska	$25,193,605	$13,498,351	$0	0.00%	$11,695,254
Nevada	$14,091,788	$16,358,418	$6,133,000	37.49%	$0
New Hampshire	$15,922,735	$16,240,582	$750,000	4.62%	$0
New Jersey	$123,922,391	$102,275,000	$43,500,000	42.53%	$21,647,391
New Mexico	$22,301,272	$33,341,689	$2,257,800	6.77%	$0
New York	$261,589,049	$286,394,468	$14,500,000	5.06%	$0
North Carolina	$76,509,324	$53,864,763	$6,640,000	12.33%	$22,644,561
North Dakota	$12,538,755	$14,950,131	$2,800,000	18.73%	$0
No Mariana Isl	$312,913	$225,275	$0	0.00%	$87,638
Ohio	$129,102,243	$123,993,846	$17,400,000	14.03%	$5,108,397
Oklahoma	$42,461,592	$45,433,927	$4,605,191	10.14%	$0
Oregon	$33,749,150	$37,538,508	$3,180,000	8.47%	$0
Pennsylvania	$157,967,705	$125,103,348	$80,494,000	64.34%	$32,864,357
Puerto Rico	$32,603,828	$26,500,000	$20,000,000	75.47%	$6,103,828
Rhode Island	$13,216,137	$12,943,722	$3,300,000	25.49%	$272,415
South Carolina	$40,846,429	$39,515,963	$7,500,000	18.98%	$1,330,466
South Dakota	$12,200,711	$12,482,848	$1,614,000	12.93%	$0
Tennessee	$55,858,941	$49,108,000	$4,500,000	9.16%	$6,750,941
Texas	$254,099,946	$224,488,358	$4,000,000	1.78%	$29,611,588
Utah	$20,204,013	$16,541,000	$0	0.00%	$3,663,013
Vermont	$8,149,602	$7,382,400	$360,000	4.88%	$767,202
Virginia	$87,092,086	$64,172,235	$7,250,000	11.30%	$22,919,851
~~Virgin Islands~~	~~$16,025,682~~	~~$15,990,205~~	~~$2,500,000~~	15.63%	$35,477
Washington	$52,183,862	$56,802,057	$2,216,860	3.90%	$0
West Virginia	$20,755,291	$18,014,884	$5,250,000	29.14%	$2,740,407
Wisconsin	$60,079,204	$59,020,303	$10,000,000	16.94%	$1,058,901
Wyoming	$14,232,695	$11,781,764	$150,000	1.27%	$2,450,931
Total	$3,412,117,752	$3,252,300,268	$591,159,971	18.18%	$292,314,194

* To account for additional dollars accrued through interest, some states' estimates for projects exceed available funds.

3/21/90 DEA/ns/SUMMARY3

SUMMARY OF FUNDS DISTRIBUTED OR ALLOCATED TO STATES, TERRITORIES AND POSSESSIONS DEPARTMENT OF ENERGY SCHEDULE 1 OCTOBER [illegible]

STATE	[illegible]	[illegible]	STRIPPER WELL [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ALABAMA	$2,060,366.66	$1,262,275.00	$16,009,834.12	$32,162,690.38	$747,344.38	$867,642.80	$2,266,874.38	$56,322,146.90
ALASKA	$709,060.76	$880,000.00	$4,760,000.33	$6,272,486.30	$168,466.66	$0.00	$2,884,184.82	$16,041,044.16
AM. SAMOA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ARIZONA	$1,862,040.06	$867,200.00	$12,044,062.30	$21,086,010.02	$400,084.30	$224,804.00	$1,466,286.06	$38,280,076.16
ARKANSAS	[illegible]	[illegible]	$16,740,166.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CALIFORNIA	$16,009,700.00	$7,414,436.00	$113,288,484.82	$194,717,604.00	$4,467,020.00	$4,006,000.00	$8,206,741.25	$362,118,[illegible]
COLORADO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONN.	$3,386,700.06	$846,466.35	$21,017,316.70	$34,000,300.07	$629,074.30	$616,113.00	$2,604,143.04	$63,003,027.81
DELAWARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DIST OF COL	$496,396.07	$90,864.04	$2,000,304.32	$4,003,616.76	$116,221.00	$240,466.00	$1,041,286.25	$8,484,263.02
FLORIDA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEORGIA	$4,302,300.06	$1,760,000.00	$27,000,003.07	$46,035,466.07	$1,004,300.04	$1,746,216.00	$3,010,016.57	$86,134,470.31
GUAM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HAWAII	$1,362,306.06	$862,280.00	$6,006,302.21	$14,402,000.00	$334,002.00	$400.00	$644,400.00	$26,170,063.00
IDAHO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ILLINOIS	$8,044,400.06	$44,400.00	$38,042,061.40	$80,102,065.00	$2,230,004.42	$7,242,000.00	$14,087,717.74	$166,075,014.00
INDIANA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IOWA	$2,467,006.84	$40,000.00	$16,125,401.76	$27,420,080.35	$824,400.46	$2,272,000.00	$5,010,443.44	$54,406,042.77
KANSAS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KENTUCKY	$2,672,000.01	$1,676,103.00	$16,004,066.00	$27,436,036.15	$824,216.00	$326,471.00	$4,003,430.06	$52,617,762.00
LOUISIANA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MAINE	$1,461,000.06	$376,465.30	$6,007,042.25	$16,064,273.20	$267,071.00	$122,006.00	$3,022,702.33	$30,130,263.04
MARYLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MASS.	$6,062,600.04	$1,001,434.44	$42,365,615.33	$70,346,036.14	$1,006,060.31	$1,706,166.00	$7,772,307.34	$131,016,146.60
MICHIGAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MINNESOTA	$3,300,306.06	$40,360.00	$21,475,066.40	$36,066,224.07	$646,066.07	$1,007,037.00	$10,000,725.36	$73,761,262.06
MISSISSIPPI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MISSOURI	$3,736,000.03	$66,100.00	$24,456,062.17	$41,616,081.46	$861,487.30	$2,002,101.00	$6,270,430.70	$79,710,762.61
MONTANA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEBRASKA	$1,276,006.06	$36,625.00	$6,126,306.74	$16,064,044.23	$306,666.01	$406,300.00	$2,666,366.74	$29,626,762.40
NEVADA	$774,100.06	$474,223.75	$5,612,713.16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEW HAMP.	$601,406.16	$32,575.00	$5,767,676.61	$6,707,063.77	$226,646.65	$146,001.00	$2,646,034.04	$16,602,063.57
NEW JERSEY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEW MEXICO	$1,196,196.93	$400,000.00	$6,166,041.86	$13,602,736.40	$316,062.16	$307,046.00	$1,011,152.00	$25,631,062.00
NEW YORK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.MAR.ISL.	$17,790.06	$0.00	$114,016.00	$182,861.70	$4,470.06	$0.00	$247,380.71	$575,701.40
N. CAROLINA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N. DAKOTA	$666,106.06	$0.00	$4,636,111.82	$7,721,442.34	$176,475.44	$622,702.00	$2,744,366.23	$16,701,266.81
OHIO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKLAHOMA	$2,367,800.00	$0.00	$15,384,634.57	$28,224,280.14	$601,420.23	$666,222.00	$2,716,862.40	$47,072,227.79
OREGON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PENN.	$8,175,402.07	$1,063,700.04	$57,022,462.36	$96,060,042.42	$2,267,206.05	$4,067,406.00	$15,260,061.00	$187,746,046.46
PUERTO RICO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
RHODE IS.	$767,166.06	$72,075.14	$4,006,601.47	$6,666,366.31	$166,063.21	$316,276.00	$1,007,006.31	$16,676,360.30
S. CAROLINA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S. DAKOTA	$666,000.12	$175.00	$4,436,116.06	$7,001,066.35	$174,116.57	$466,366.00	$2,441,062.40	$15,706,434.42
TENNESSEE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TEXAS	$17,601,166.01	$707,000.00	$91,304,003.03	$157,107,066.87	$3,646,064.07	$7,066,441.00	$6,066,262.92	$282,016,066.76
TRUST TERR.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UTAH	$1,134,166.03	$420,000.00	$7,301,334.06	$12,464,477.06	$307,272.06	$671,066.00	$2,316,036.23	$24,575,130.62
VERMONT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VIRGIN IS.	$1,163,066.00	$0.00	$5,734,077.32	$6,061,306.00	$226,266.71	$61.00	$204,016.30	$17,306,037.62
VIRGINIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WASHINGTON	$3,116,066.62	$1,423,062.00	$16,060,427.81	$33,121,064.15	$743,062.65	$676,706.00	$4,014,061.76	$62,301,643.27
WEST VA.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WISCONSIN	$3,344,300.00	$6,726.00	$21,776,036.06	$36,046,066.05	$603,701.30	$2,037,670.00	$6,006,711.06	$73,066,366.06
WYOMING	$762,066.06	$116,000.00	$5,046,706.02	$5,574,306.00	$170,366.00	$127,077.00	$1,272,675.82	$14,412,[illegible]
OTHER PMTS.						$150,046.00		
TOTALS	$280,003,005.00	$42,046,031.30	$1,237,080,321.36	$2,066,433,300.32	$46,065,036.57	$72,003,067.00	$240,008,342.00	$3,946,412,057.21

SUMMARY OF FUNDS DISTRIBUTED OR ALLOCATED TO
STATES, TERRITORIES AND POSSESSIONS-ALL OTHER

DEPARTMENT OF ENERGY OCTOBER 1[illegible], [illegible]
SCHEDULE 3

STATE	CORCO [illegible]	CHEVRON [illegible]	SOHIO [illegible]	U.S.A. [illegible]	IMPERIAL [illegible]	INTERFLASH [illegible]	TOTAL
ALABAMA	$0.00	$1,881,175.00	$0.00	$0.00	$11,100.00	$0.00	[illegible]
ALASKA	$0.00	[illegible]	$0.00	$0.00	$0.00	$0.00	[illegible]
AMER. SAMOA	$0.00	[illegible]	$0.00	$0.00	$0.00	$0.00	[illegible]
ARIZONA	$0.00	[illegible]	$0.00	$0.00	$0.00	$0.00	[illegible]
ARKANSAS	$0.00	$175.00	$0.00	$0.00	$10,000.00	$0.00	[illegible]
CALIFORNIA	$0.00	$6,642,275.00	$0.00	$770,160.00	$0.00	$0.00	$7,412,435.00
COLORADO	$0.00	[illegible]	$0.00	$0.00	$0.00	[illegible]	[illegible]
CONNECTICUT	$0.00	[illegible]	$144,700.35	$0.00	$0.00	$0.00	[illegible]
DELAWARE	$0.00	$222,175.00	[illegible]	$0.00	$0.00	[illegible]	[illegible]
DIST.OFCOL.	$0.00	$26,400.00	$32,884.04	$0.00	$0.00	$0.00	[illegible]
FLORIDA	$0.00	[illegible]	$0.00	$84,108.75	$100,000.00	[illegible]	[illegible]
GEORGIA	$0.00	$1,770,400.00	$0.00	$0.00	$14,840.00	$0.00	[illegible]
GUAM	[illegible]	[illegible]	$0.00	$0.00	$0.00	$0.00	[illegible]
HAWAII	$0.00	$822,230.00	$0.00	$0.00	$0.00	$0.00	[illegible]
IDAHO	$0.00	$290,075.00	$0.00	$0.00	$0.00	$0.00	[illegible]
ILLINOIS	$0.00	$0.00	$0.00	$0.00	$30,000.00	$4,000.00	[illegible]
INDIANA	$0.00	$12,875.00	$4,108.18	$0.00	$3,420.00	$0.00	[illegible]
IOWA	$0.00	$0.00	$0.00	$0.00	$31,000.00	$9,000.00	$40,000.00
KANSAS	$0.00	[illegible]	$0.00	$0.00	$3,800.00	[illegible]	[illegible]
KENTUCKY	$0.00	$1,063,400.00	$4,862.06	$0.00	$6,100.00	$0.00	[illegible]
LOUISIANA	$0.00	[illegible]	[illegible]	$0.00	$0.00	[illegible]	[illegible]
MAINE	$0.00	$166,425.00	$204,060.30	$0.00	$0.00	$0.00	$370,485.30
MARYLAND	$0.00	[illegible]	[illegible]	$0.00	$0.00	$0.00	[illegible]
MASS.	$0.00	$341,100.00	$740,324.44	$0.00	$0.00	$0.00	$1,081,424.44
MICHIGAN	$0.00	[illegible]	$642,273.70	$0.00	$0.00	$0.00	[illegible]
MINNESOTA	$0.00	$0.00	$0.00	$0.00	$40,280.00	$0.00	$40,280.00
MISSISSIPPI	$0.00	$307,725.00	$0.00	$0.00	$9,840.00	$370,000.00	[illegible]
MISSOURI	$0.00	$0.00	$0.00	$0.00	$85,180.00	$0.00	$85,180.00
MONTANA	$0.00	[illegible]	$0.00	$0.00	$0.00	$0.00	[illegible]
NEBRASKA	$0.00	$28,425.00	$0.00	$0.00	[illegible]	$0.00	[illegible]
NEVADA	$0.00	$425,000.00	$0.00	$48,413.75	$0.00	$0.00	[illegible]
NEW HAMP.	$0.00	$32,575.00	$0.00	$0.00	$0.00	$0.00	$32,575.00
NEW JERSEY	$0.00	$709,475.00	[illegible]	$0.00	$0.00	$0.00	[illegible]
NEW MEXICO	$0.00	$400,000.00	$0.00	$0.00	$0.00	$0.00	[illegible]
NEW YORK	$0.00	$861,675.00	$1,021,881.04	$0.00	$0.00	$0.00	[illegible]
N. MARI.IS.	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
N. CAROLINA	$0.00	$150.00	$8,746.11	$0.00	$0.00	$0.00	[illegible]
N. DAKOTA	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
OHIO	$0.00	[illegible]	[illegible]	$0.00	[illegible]	$0.00	[illegible]
OKLAHOMA	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
OREGON	$0.00	$1,061,375.00	$0.00	$0.00	$0.00	$0.00	$1,061,375.00
PENN.	$0.00	$242,100.00	[illegible]	$0.00	$0.00	$0.00	[illegible]
PUERTO RICO	$5,833,332.00	$181,825.00	$0.00	$0.00	$0.00	$0.00	[illegible]
RHODE IS.	$0.00	$0.00	$72,675.14	$0.00	$0.00	$0.00	$72,675.14
S. CAROLINA	$0.00	[illegible]	[illegible]	$0.00	$0.00	$0.00	[illegible]
S. DAKOTA	$0.00	$175.00	$0.00	$0.00	$0.00	$0.00	$175.00
TENNESSEE	$0.00	[illegible]	$0.00	$0.00	[illegible]	$0.00	[illegible]
TEXAS	$0.00	$617,275.00	[illegible]	$0.00	$0.00	$12,000.00	[illegible]
UTAH	$0.00	[illegible]	[illegible]	$0.00	$0.00	$0.00	[illegible]
VERMONT	$0.00	$10,300.00	[illegible]	$0.00	$0.00	$0.00	[illegible]
VIRGIN IS.	$0.00	$0.00	$0.00	[illegible]	$0.00	$0.00	[illegible]
VIRGINIA	$0.00	$1,725.00	[illegible]	$0.00	$0.00	$0.00	[illegible]
WASHINGTON	$0.00	[illegible]	[illegible]	[illegible]	$0.00	$0.00	[illegible]
WEST VA.	$0.00	$2,080.00	$41,302.10	$0.00	$0.00	$0.00	[illegible]
WISCONSIN	$0.00	$0.00	$0.00	$0.00	$8,725.00	$0.00	$8,725.00
WYOMING	$0.00	$110,080.00	$0.00	$0.00	$0.00	$0.00	$110,080.00
TOTALS	$5,833,332.00	$25,000,000.00	[illegible]	[illegible]	$500,000.00	[illegible]	[illegible]

1983. Composite average 1988 prices were below the composite average level for 1980. With respect to the three fuel types (see table 2):

- electricity prices peaked in 1984 and have fallen since then,
- natural gas prices peaked in 1983 and have fallen since then, and
- fuel oil prices peaked in 1981 and have fallen since then.

Information for 1989 and 1990 is not yet available. Currently, the Department of Energy is compiling price figures for 1989, which should be available shortly.

Mr. Natcher: How much funding is contributed to State LIHEAP programs through utility checkoff plans?

Ms. Thomas: Based on the preliminary estimates from our LIHEAP telephone surveys, no states or the District of Columbia reported contributions to State LIHEAP programs through utility checkoff plans for FY 1989 or FY 1990.

Mr. Natcher: How many States prohibit utility shutoffs in the winter months?

Ms. Thomas: The most recent source of data is the Survey of Electric and Natural Gas Utility Uncollectible Accounts and Service Disconnections for 1984. The National Association of Regulatory Utility Commissioners (NARUC) surveyed state public utility commissions (PUCs) and published the results in October 1985.

The NARUC survey includes data on state PUC rules prohibiting cold weather shutoffs. Of the 47 state PUCs responding to the survey, 38 PUCs (81%) restricted regulated utilities in implementing residential service disconnections during the winter months.

According to the survey results, the 47 PUCs based their winter restrictions on shutoffs on one or more of the following criteria:

- 6 PUCs included an outright seasonal ban or moratoria on winter shutoffs.
- 13 PUCs based winter restrictions on temperature criteria.
- 13 PUCs based winter restrictions on inability to pay.

Table 1. Average price by fuel type and by year, dollars per mmbtu*

	CALENDAR YEAR								
FUEL TYPE	1980	1981	1982	1983	1984	1985	1986	1987	1988
ELECTRICITY	12.43	14.38	15.91	16.65	17.49	18.07	18.07	18.04	18.07
NATURAL GAS	3.68	4.29	5.17	6.06	6.12	6.12	5.83	5.54	5.47
FUEL OIL	7.02	8.61	8.36	7.77	7.87	7.59	6.03	5.79	5.86
COMPOSITE AVERAGE**	6.49	7.58	8.57	9.29	9.65	9.80	9.48	9.59	9.56

*In current (nominal) dollars--not adjusted for inflation

**Composite (all fuels) average is weighted based on the amount of each fuel (i.e., electricity, natural gas, and fuel oil) purchased for residential use.

Table 2. Inflation adjusted average price by fuel type and by year, dollars per mmbtu*

	CALENDAR YEAR								
FUEL TYPE	1980	1981	1982	1983	1984	1985	1986	1987	1988
ELECTRICITY	18.71	19.61	20.44	20.73	20.87	20.82	20.44	19.69	18.07
NATURAL GAS	5.54	5.85	6.64	7.54	7.30	7.05	6.60	6.05	5.47
FUEL OIL	10.57	11.74	10.75	9.68	9.39	8.75	6.82	6.32	5.86
COMPOSITE AVERAGE**	9.77	10.34	11.01	11.56	11.52	11.29	10.73	10.46	9.56

*In constant (real) dollars--adjusted for inflation.

**Composite (all fuels) average is weighted based on the amount of each fuel (i.e., electricity, natural gas, and fuel oil) purchased for residential use.

- 13 PUCs based winter restrictions on the presence of elderly or handicapped persons in the household.
- 11 PUCs based winter restrictions on household eligibility for the LIHEAP.
- 10 PUCs based winter restrictions on various other criteria.

Mr. Natcher: What is your most recent data on the amount of State funds contributed to LIHEAP?

Ms. Thomas: Based on the preliminary estimates from our FY 1990 winter LIHEAP telephone survey, two states, Massachusetts and Rhode Island, plan to contribute a total of $10,199,000 to LIHEAP for FY 1990.

Mr. Natcher: How many States currently set LIHEAP income eligibility levels at the statutory minimum?

Ms. Thomas: Our most recent data covers the income eligibility levels used for heating assistance in FY 1989. Based on that data, 8 States (Arkansas, California, Florida, Kentucky, North Carolina, Oklahoma, South Carolina, and West Virginia) set LIHEAP income eligibility levels at the statutory minimum of 110 percent of the poverty level.

Mr. Natcher: What are State estimates of LIHEAP funding carryover from fiscal year 1990 to 1991?

Ms. Thomas: Based on the preliminary estimates from our FY 1990 winter LIHEAP telephone survey, 20 States plan to carry over $22.8 million from fiscal year 1990 to 1991.

Mr. Natcher: Provide a table showing by State how much LIHEAP funding was transferred to other block grants.

Ms. Thomas: The following tables that show actual transfers for fiscal year 1989 and planned transfers for fiscal year 1990.

Mr. Natcher: How many States transferred the maximum amount permitted by law?

Ms. Thomas: As permitted by the LIHEAP statute, grantees may transfer up to a total of 10 percent of their LIHEAP allotments net of LIHEAP set-asides for Indian tribal grants. For FY 1989, 28 States transferred LIHEAP funds to other block grants; of that number, 23 States transferred the maximum amount permitted by the statute. For FY 1990, 29 States transferred LIHEAP funds

Percent of State LIHEAP Allotments Transferred by 28 States in FY 1989

State	Transfers	Net Allotment	Percentage
Total	$52,611,652	$1,369,642,869	3.8%
Alabama	1,079,207	11,819,428	9.1%
Alaska	0	4,949,933	0.0%
Arizona	0	5,222,445	0.0%
Arkansas	906,362	9,063,617	10.0%
California	6,338,279	63,419,273	10.0%
Colorado	2,221,823	22,218,226	10.0%
Connecticut	0	28,984,459	0.0%
Delaware	0	3,847,129	0.0%
Dist. of Col.	0	4,501,334	0.0%
Florida	1,878,618	18,786,179	10.0%
Georgia	1,480,389	14,860,199	10.0%
Hawaii	0	1,496,504	0.0%
Idaho	859,777	8,597,777	10.0%
Illinois	0	80,223,978	0.0%
Indiana	0	36,323,163	0.0%
Iowa	0	25,742,712	0.0%
Kansas	1,180,947	11,809,472	10.0%
Kentucky	1,890,245	18,902,451	10.0%
Louisiana	1,213,602	12,136,021	10.0%
Maine	0	18,562,024	0.0%
Maryland	2,219,303	22,193,033	10.0%
Massachusetts	0	57,968,427	0.0%
Michigan	0	76,022,722	0.0%
Minnesota	5,486,173	54,873,031	10.0%
Mississippi	0	10,172,646	0.0%
Missouri	1,048,206	32,044,588	3.3%
Montana	862,621	8,626,212	10.0%
Nebraska	1,273,075	12,730,759	10.0%
Nevada	269,249	2,692,494	10.0%
New Hampshire	0	10,974,151	0.0%
New Jersey	5,373,954	53,739,541	10.0%
New Mexico	0	6,654,228	0.0%
New York	0	175,609,758	0.0%
North Carolina	1,659,942	25,536,355	6.5%
North Dakota	980,698	9,806,981	10.0%
Ohio	0	70,970,100	0.0%
Oklahoma	0	10,378,578	0.0%
Oregon	1,722,006	17,220,064	10.0%
Pennsylvania	0	94,400,251	0.0%
Rhode Island	0	9,543,595	0.0%
South Carolina	0	9,433,700	0.0%
South Dakota	763,575	7,635,749	10.0%
Tennessee	1,914,778	19,147,779	10.0%
Texas	3,126,833	31,268,335	10.0%
Utah	1,009,676	10,096,566	10.0%
Vermont	0	8,225,517	0.0%
Virginia	0	27,033,597	0.0%
Washington	2,713,102	27,141,144	10.0%
West Virginia	1,125,827	12,509,188	9.0%
Wisconsin	1,600,000	49,393,608	3.2%
Wyoming	413,385	4,133,848	10.0%

NOTE: Grantees may transfer up to 10% of their LIHEAP net allotments (funds payble) to other HHS block grant programs.

Source: FY 1990 Winter LIHEAP Telephone Survey, conducted in January 1990

Estimated Percent of State LIHEAP Allotments to be Transferred by 29 States in FY 1990

State	Transfers	Net Allotment	Percentage
Total	$53,333,462	$1,379,059,961	3.9%
Alabama	879,207	11,901,899	7.4%
Alaska	0	5,076,204	0.0%
Arizona	0	5,254,523	0.0%
Arkansas	912,686	9,126,860	10.0%
California	6,369,715	63,658,748	10.0%
Colorado	2,237,326	22,373,257	10.0%
Connecticut	0	29,186,703	0.0%
Delaware	0	3,873,973	0.0%
Dist. of Col.	0	4,532,743	0.0%
Florida	1,629,377	18,917,263	8.6%
Georgia	1,496,389	14,963,889	10.0%
Hawaii	0	1,506,946	0.0%
Idaho	865,852	8,658,521	10.0%
Illinois	0	80,783,755	0.0%
Indiana	0	36,576,615	0.0%
Iowa	0	25,922,337	0.0%
Kansas	1,189,133	11,891,330	10.0%
Kentucky	1,903,434	19,034,347	10.0%
Louisiana	1,222,070	12,220,703	10.0%
Maine	0	18,693,047	0.0%
Maryland	2,234,789	22,347,890	10.0%
Massachusetts	0	58,372,912	0.0%
Michigan	0	76,553,184	0.0%
Minnesota	5,525,592	55,255,917	10.0%
Mississippi	0	10,243,628	0.0%
Missouri	1,048,206	32,268,186	3.2%
Montana	868,640	8,686,405	10.0%
Nebraska	1,281,959	12,819,590	10.0%
Nevada	200,000	2,711,280	7.4%
New Hampshire	0	11,050,725	0.0%
New Jersey	5,400,000	54,114,517	10.0%
New Mexico	0	6,700,659	0.0%
New York	0	176,784,900	0.0%
North Carolina	2,553,635	25,734,354	9.9%
North Dakota	987,834	9,875,411	10.0%
Ohio	0	71,465,305	0.0%
Oklahoma	0	10,453,346	0.0%
Oregon	1,734,022	17,340,220	10.0%
Pennsylvania	0	95,058,944	0.0%
Rhode Island	0	9,610,187	0.0%
South Carolina	0	9,499,525	0.0%
South Dakota	768,903	7,689,030	10.0%
Tennessee	1,928,139	19,281,386	10.0%
Texas	3,148,651	31,486,515	10.0%
Utah	1,019,610	10,196,099	10.0%
Vermont	49,000	8,282,912	0.6%
Virginia	0	27,222,229	0.0%
Washington	2,729,342	27,303,617	10.0%
West Virginia	1,133,682	12,596,472	9.0%
Wisconsin	1,600,000	49,738,260	3.2%
Wyoming	416,269	4,162,693	10.0%

NOTE: Grantees may transfer up to 10% of their LIHEAP net allotments (funds payable) to other HHS block grant programs.

Source: FY 1990 Winter LIHEAP Telephone Survey, conducted in January 1990 to other block grants; of that number, 21 States plan to transfer the maximum amount permitted by the statute.

Mr. Natcher: What is the average 1990 LIHEAP benefit for heating, cooling and crisis assistance?

Ms. Thomas: Based on the preliminary estimates obtained from our FY 1990 winter LIHEAP telephone survey, our national estimates for average benefits are $186 for heating, $52 for cooling, $184 for winter/year-round crisis assistance, and $103 for summer crisis assistance. When heating assistance and winter/year crisis assistance are combined, the average benefit is $204 for heating costs.

Mr. Natcher: Provide a table showing the percentage of household income spent on heating for the last five years for low income and all households.

Ms. Thomas: Our most recent data is through fiscal year 1988. Below is a table that provides data for fiscal years 1984-1988.

Percent of household income spent on space heating*

Fiscal year	All	Low Income
1984	1.7%	5.9%
1985	1.6	5.4
1986	1.4	5.1
1987	1.2	4.2
1988	1.2	3.9

*As reported in HHS' annual LIHEAP reports to Congress

Mr. Natcher: What share of LIHEAP recipients also receive SSI, Social Security, AFDC, HUD shelter assistance, and/or Food Stamps?

Ms. Thomas: We have derived estimates from the March 1988 Current Population Survey that is conducted by the Bureau of the Census.[1] The following shares apply to those households receiving heating assistance between October 1, 1987 and the middle of March 1988:

- About 59 percent of LIHEAP recipients also received food stamps.

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[1] The estimates are derived from a national sample and are subject to sampling and nonsampling variability.

- About 31 percent of LIHEAP recipients also received AFDC benefits.
- About 24 percent of LIHEAP recipients also received SSI benefits.
- About 20 percent of LIHEAP recipients also lived in rent subsidized or public housing.

An estimate of LIHEAP recipients who also received social security benefits cannot be estimated from the March 1988 Current Population Survey. Such an estimate, however, may be obtainable from the March 1989 Current Population Survey which is currently being analyzed.

Mr. Natcher: In which months do State heating assistance programs typically begin and end?

Ms. Thomas: For FY 1989, State heating assistance programs typically began in October and November and ended in the following March and April.

Mr. Natcher: Provide a chart showing the percentage of home heating costs offset by LIHEAP benefits over the last five years.

Ms. Thomas: The following table shows average Low Income Home Energy Assistance Program (LIHEAP) assistance with home heating costs, average recipient heating costs, and percent of heating costs offset by LIHEAP assistance, from FY 1984 through FY 1988.

The LIHEAP annual report to Congress for FY 1989 will include the FY 1989 figures.

Fiscal Year	Average Heating Assistance	Average Heating Costs	Assistance as a % of Cost
FY 1984	$236	About $450	About 50%
FY 1985	$242	$427	57%
FY 1986	$231	$406	57%
FY 1987	$216	$354	61%
FY 1988	$217	$379	57%

Mr. Conte: I understand HHS is proposing in the Education and Labor Committee to count LIHEAP as income so Food Stamp benefits can be reduced. Meanwhile, your budget documents imply that we should reduce LIHEAP because recipients are getting $1.5 billion in extra food stamp allowances per year. Are you saying that we should cut LIHEAP by $343 million because poor families are getting too much to eat?

Ms. Thomas: The Low Income Home Energy Assistance Act provides that LIHEAP:

> "...payments or allowances provided directly to, or indirectly for the benefit of, an eligible household... shall not be considered income or resources of such household... for any purpose under any Federal or State law, including any law relating to taxation, food stamps, public assistance, or welfare programs."

The Administration is not proposing to change or delete this provision. Instead, the Administration is proposing a legislative change to explicitly permit LIHEAP grantees, when setting benefit levels, to take into account home energy assistance that households receive from other publicly funded programs. This is appropriate since LIHEAP is a supplemental program. Grantees would have discretion to decide whether, and to what extent, to consider other Federal, State, or local energy-related benefits and could more effectively target LIHEAP assistance to the households that are most in need.

The Department's Justifications of Appropriation Estimates for the Committee on Appropriations, Fiscal Year 1991, notes that food stamp households can deduct a portion of their housing costs, including utility costs, from their countable income, and that LIHEAP assistance does not count as income in calculating eligibility for food stamps. These factors have the effect of increasing food stamp allowances. This fact is not related to the Administration's request to reduce LIHEAP funding.

Mr. Conte: Your FY 1988 report (p. 26) indicates that LIHEAP is serving only 25% of all eligible families who meet the federal standards. 75% of eligible families are not being served--is that correct?

Ms. Thomas: It is correct that in fiscal year 1988, about 25% of all eligible households with incomes under the federal maximum standard received help with heating costs from LIHEAP. However, the LIHEAP statute does not prohibit grantees from adopting stricter income standards as long as such standards do not fall below 110% of the poverty level. In fiscal year 1988, 35% of the households eligible under the stricter income standards adopted by most States were assisted with heating costs.

Mr. Conte: Your 1988 report says that LIHEAP recipients spent 13.8% of their incomes on heating, up from 13.2% in FY 87. That's still over 4 times what the average family pays. In fact, those LIHEAP families who are dependent upon fuel oil spent 16.5% of their incomes on heating. With the bad weather and sky-high prices I'm sure that has increased this year as well. With LIHEAP families forced to pay more and more of their incomes on energy, and more and more eligible families who need assistance, doesn't that mean there is a need for improved LIHEAP funding?

Ms. Thomas: The data cited deal with percent of income spent on total residential energy, which includes space heating, space cooling, and all other residential energy uses. Our FY 1988 report to Congress indicates that LIHEAP recipient households paid a larger percent of their incomes for space heating than average households--5.4% versus 1.2%, about 4.5 times greater. LIHEAP recipient households that heated their homes with fuel oil spent 7.2%, not 16.5%, of their incomes on space heating in FY 1988. On average, LIHEAP recipient households spent 5.4% of their incomes on space heating in FY 1988, up from 5.2% in FY 1987.

However, in recent years, the percent of income spent on space heating by LIHEAP recipient and other households generally has declined. The percent of income spent on space heating from FY 1983 through FY 1988, by all households, low income households, and LIHEAP recipient households, is shown below.

Fiscal year	All households	Low income households	LIHEAP recipient households
1983	1.6%	5.8%	7.0%
1984	1.7%	5.9%	1/
1985	1.6%	5.4%	6.6%
1986	1.4%	5.1%	6.2%
1987	1.2%	4.2%	5.2%
1988	1.2%	3.9%	5.4%

1/ FY 1984 data for LIHEAP recipients are not available.

We believe that these data help to support our request to reduce the Federal LIHEAP appropriation.

Mr. Conte: Your budget justification says "During FY90, LIHEAP program offices are sponsoring a series of round tables and conference workshops aimed at allowing grantees to discuss their effective approaches in dealing with decreased LIHEAP funding." I thought we increased funding by $10 million in FY 1990. Are you going to have conferences on how they can manage increases in funding, given the $110 million increase for FY 1990 and now that we have a $50 million supplemental underway?

Ms. Thomas: Although we are conducting a series of round table discussions during FY 1990, the initial planning for the round tables and awarding of the contract with the American Public Welfare Association (APWA) to assist in conducting the round tables was done in FY 1989. FY 1989 represented the fourth consecutive year that federal appropriations had decreased for LIHEAP. Although the final FY 1990 LIHEAP appropriation was $1.393 billion, the Administration had requested a funding level of $1.1 billion for FY 1990. Further, the Administration is recommending $1.05 billion for FY 1991. This is a decrease of $343 million compared to the FY 1990 appropriation.

We believe that grantees know how to manage increases in federal funding and that conferences on the subject are not necessary. The LIHEAP block grant gives States a great deal of flexibility to target assistance to the households which have the greatest need. In order to respond to an increase in federal funding, States can adjust their LIHEAP eligibility standards and benefit levels, the amounts transferred or carried over, and the types of assistance provided to best meet the needs of their citizens.

Question. How much was spent on these round tables and workshops in FY90?

Ms. Thomas: The contract to secure assistance in conducting the 3, 2-day round tables to be held in FY 1990 was awarded to the American Public Welfare Association in FY 1989. Out of FY 1989 funds, $132,440 is to be spent for the round tables. In FY 1990, we intend to amend the contract to include an additional 2-day round table for our tribal grantees. Approximately $50,000 in FY 1990 funds has been set aside to fund the additional round table.

WELFARE REFORM

Mr. Conte: Several States and the State service organizations such as the Governor's Association and the National Conference of State Legislatures have been involved in the welfare reform process. In what ways are you supporting these efforts?

Ms. Thomas: Several States designed and implemented welfare-to-work projects under HHS approved 1115 demonstration projects before President Reagan signed the Family Support Act into law on October 13, 1988. We have been very interested in their research and findings and have taken the initiative to seek their ideas and study their models. Service organizations such the National Governors' Association (NGA) and the National Conference of State Legislatures (NCSL) have also been working on the issue of welfare reform for several years. Shortly after enactment of the Family Support Act, my Department hosted two national conferences (one in the east and one in the west) to discuss the major provisions of the legislation and to invite comments and suggestions on the implementation of the new Job Opportunities and Basic Skills Training (JOBS) program. All of the States and many of the major service organizations including NGA and NCSL were invited. Many issues were raised and we made a commitment to be receptive to ideas for implementation.

To keep the exchange of ideas flowing, my staff participated as speakers at conferences and quarterly meetings sponsored by organizations such as NGA and NCSL. At each of these gatherings, HHS issued a call for comments and listened with an open mind to suggestions.

Prior to issuance of the proposed rules, HHS sponsored several meetings with organizations concerned with welfare reform. The discussions focussed on specific issues that were of particular concern to these groups, such as the definition of participation and the child care guarantee. On a State level, our Regional Offices hosted and participated in similar conferences and meetings.

In addition to the suggestions that were received at the conferences and meetings, we also received written comments from NGA, NCSL and most of the States. These commenters described practices which they felt were successful and identified ways in which the regulations could be written to support those practices. While we were not able to accommodate all of the suggestions in the final rules (in some cases there were opposing comments), we tried to provide as much flexibility as possible in the regulations so that States could design and/or continue programs that best suited the families they serve.

In early November, three weeks after the final regulations were issued on October 13, 1989, HHS sponsored another national conference. There were over 600 participants including officials from State, Tribal and local governments, as well as representatives from NGA, NCSL, American Public Welfare Association (APWA) and many more. There were several panel discussions in which States were able to share their experiences and best practices related to welfare reform.

The highlight of the November conference was the signing of an interagency agreement by the Secretaries of Labor, Education, and myself to provide technical assistance to States/localities and Native American organizations in conjunction with the implementation of the JOBS program. Two contracts will be awarded - one for States and one for Tribes. Seven interagency work groups have been formed to exchange employment, education, training and supportive services information in preparation for the award of the contracts. At present, these groups are comprised of Federal representatives from HHS, Labor, Education, and Interior. However, following the award of these contracts, State, local and Tribal officials will be invited to join these advisory groups.

Finally, we will be evaluating the differential impacts of different JOBS activities in demographically diverse sites in several States. This is in keeping with the framework of the JOBS evaluation included in the Family Support Act.

The States, NGA, NCSL, my staff and I are all very pleased with the dialogue that has become a part of the JOBS program. We have all gained a great deal and I look forward to the continued partnership.

CHILD SUPPORT ENFORCEMENT

Mr. Conte: The automatic payroll deduction of child-support payments has been in use in some states for several years. How effective has this approach been?

Ms. Thomas: In FY 1989 OCSE collected over $2.1 billion through the use of wage withholding. This is an increase of 28% over the previous year and 83% over the FY 1987 figure of $1.2 billion. Data are not available prior to FY 1987. However, we feel that there have been great strides in this area, which will continue due to the automatic wage withholding provisions of the Family Support Act of 1988.

Mr. Conte: The administrative costs for child support enforcement have been on the rise. What is the ratio between administrative costs and child support collected? For the record please provide a breakout of this ratio for each congressional district.

Ms. Thomas: The latest information for FY 1989 indicates that the Child Support program collected $3.78 for every dollar spent on administration: $1.15 is collected on behalf of AFDC families and $2.63 is collected on behalf of non-AFDC families. We have included a table of collections-to-expenditures ratios by state for each of the fifty-four states and jurisdictions that participate in the IV-D program. We do not have information by congressional district.

FISCAL YEAR: 1989
STATENAME ORDER

C/E RATIOS

04/19/90

	TOTAL	AFDC	NON-AFDC
ALABAMA	2.46	0.81	1.65
ALASKA	4.07	1.21	2.86
ARIZONA	1.84	0.34	1.50
ARKANSAS	3.38	1.73	1.65
CALIFORNIA	2.67	1.29	1.38
COLORADO	2.21	0.98	1.23
CONNECTICUT	2.76	1.24	1.52
DELAWARE	3.00	0.88	2.12
DISTRICT OF COLUMBIA	1.33	0.51	0.82
FLORIDA	2.58	0.76	1.82
GEORGIA	3.06	1.23	1.83
GUAM	1.29	0.55	0.74
HAWAII	3.62	1.14	2.48
IDAHO	3.95	1.27	2.68
ILLINOIS	2.77	0.92	1.85
INDIANA	5.35	2.58	2.77
IOWA	5.66	2.41	3.25
KANSAS	2.00	0.79	1.21
KENTUCKY	2.63	0.96	1.67
LOUISIANA	2.84	1.08	1.76
MAINE	4.14	2.63	1.51
MARYLAND	3.36	0.88	2.48
MASSACHUSETTS	3.24	1.35	1.89
MICHIGAN	8.58	1.94	6.64
MINNESOTA	3.65	1.27	2.38
MISSISSIPPI	2.23	1.07	1.16
MISSOURI	4.46	1.35	3.11
MONTANA	4.21	2.35	1.86
NEBRASKA	4.69	0.65	4.04
NEVADA	2.22	0.51	1.71
NEW HAMPSHIRE	3.18	0.60	2.58
NEW JERSEY	3.85	0.88	2.97
NEW MEXICO	1.96	0.82	1.14
NEW YORK	2.74	0.99	1.75
NORTH CAROLINA	3.20	1.29	1.91
NORTH DAKOTA	3.31	1.65	1.66
OHIO	6.07	1.09	4.98
OKLAHOMA	2.28	0.87	1.41
OREGON	4.45	1.11	3.34
PENNSYLVANIA	8.97	1.49	7.48
PUERTO RICO	13.60	0.28	13.32
RHODE ISLAND	3.67	1.72	1.95
SOUTH CAROLINA	3.01	0.93	2.08
SOUTH DAKOTA	3.99	1.49	2.50
TENNESSEE	3.57	1.21	2.36
TEXAS	2.41	0.76	1.65
UTAH	2.92	1.24	1.68
VERMONT	2.93	1.78	1.15
VIRGIN ISLANDS	3.11	0.23	2.88
VIRGINIA	3.03	0.72	2.31
WASHINGTON	2.66	1.11	1.55
WEST VIRGINIA	2.95	0.77	2.18
WISCONSIN	6.18	1.68	4.50
WYOMING	3.50	1.19	2.31

OFFICE OF COMMUNTIY SERVICES

Mr. Conte: In my district there is a need for new construction rental housing. Several years ago OCS restricted rural housing funds available under the discretionary funds to repair of existing dwellings. The Fiscal Year 1990 House Report on OCS appropriations directed that preparation of rural rental housing applications be considered an eligible activity.

The federal register notice for FY 90 discretionary funds has just been published. Does it permit the use of rural housing funds for rental housing application preparation? If not, why not?

Ms. Thomas: OCS has never restricted its rural housing funds to repair of existing dwellings. In FY 90, as in the past few years, the Program Announcement states that grants are available to provide technical assistance to help low-income families and individuals more effectively utilize existing local, State and Federal housing assistance programs. This section makes the preparation of rural rental housing applications an eligible activity. The only caveat is that the applicant, when proposing new construction, must be able to document that there is insufficient existing housing stock that can be economically rehabilitated.

STATE LEGALIZATIOIN IMPACT ASSISTANCE GRANTS (SLIAG)

Mr. Roybal: SLIAG regulations provide that only state or local programs of "public assistance" which have means tests are eligible for SLIAG reimbursement. The Department's justified the means test requirement on the grounds that the Immigration Reform and Control Act's (IRCA) legislative history closely associates such public assistance programs with Federal programs of financial assistance furnished based on financial need in Section 245(h)(i)(A) of the Act which "requires a means test as a condition of eligibility." Can you cite where a means test is required in IRCA's definitions of public assistance or Federal financial assistance programs?

Ms. Thomas: The programs named in section 245A(h)(1)(A) of the Immigration and Naturalization Act -- Aid to Families with Dependent Children (AFDC), Food Stamps, and Medicaid -- each require a means test as a condition for eligibility.

The Department's justification of the means test as a requirement of programs of public assistance to be reimbursable under the State Legalization Impact Assistance Grant program (SLIAG), was much broader than the single item you mention, however. In preparing the final rule for SLIAG, we noted that Congress was well acquainted with the term "public assistance." For example, under the Refugee Act of 1980, 8 U.S.C. 1522, cash and medical assistance is distinct from social services. In the Immigration Reform and Control Act, Congress barred eligible legalized aliens (ELAs) from Federal programs of public assistance, but not from most Federal social service programs -- for example, those listed in section 245A(h)(4) of the Act.

Second, the definition of public assistance used in the regulation is consistent with the definitions found in social science literature. The Encyclopedia of Social Work defines public assistance as "those income maintenance programs administered by welfare departments, based on need and the imposition of a means test rather than on right" (National Association of Social Workers (NASW), 1976).

The Department believes that the means test is a necessary requirement to insure the intent of Congress that SLIAG funds reimburse States for programs of public assistance to needy individuals.

Mr. Roybal: The Department of Justice, by statute, was required to consult with Health and Human Services in identifying Federal programs of financial assistance. In its final rule on Federal programs of financial assistance, the Department of Justice did not require those programs to have a means test because "nothing in the statutory language or the legislative history suggests that only programs using an individual means test can be programs of financial assistance furnished based on financial need must use." [sic]

Did the Department agree with that final rule, which identified the Community Services Block Grant (CSBG) Program to be a Federal financial assistance program furnished based on financial need even though CSBG recipients are not means-tested?

Ms. Thomas: The Department did concur with the final rule. However, the Community Services Block Grant (CSBG) funds a wide range of activities. The Justice Department's regulation bars newly legalized aliens only from those CSBG-funded activities that meet the regulatory definition of a "program of financial assistance," including assistance provided to individuals based on a means test.

Mr. Roybal: Does the Department have any plans to revise its regulatory definition of public assistance programs to eliminate the means test requirement?

Ms. Thomas: The Department has no plans to revise the regulatory definition of public assistance programs in such a way. The inclusion of a means test in the regulatory definition of programs of public assistance was proposed in August 1987 and made final over two years ago. We see no basis for changing this definition in the third year of a four-year temporary program.

Mr. Roybal: If not, what is the basis for IRCA to require SLIAG reimbursable public assistance programs to have a means test, but not Federal program of financial assistance furnished based on financial need?

Ms. Thomas: The Immigration Reform and Control Act (IRCA) allows reimbursement of State and local costs for "programs of public assistance" that provide basic subsistence needs to needy individuals. However, it bars most eligible legalized aliens (ELAs) from Federal programs of financial assistance. The fact that the Act uses two different terms implies that Congress meant there to be some distinction between the two sets of programs. The requirement for a means test was included in order to assure services reimbursed by SLIAG were available to needy individuals, as required by the definition of "programs of public assistance" in the Act and the prevailing definition of "public assistance" in social welfare literature.

In fact, while the Department was developing the final rule for SLIAG, we accommodated concerns expressed in comments from States by including programs as allowable public assistance programs which utilized sliding scale payments based on income -- provided it met the other criteria as well.

Mr. Roybal: The Department's SLIAG Cost Documentation System (CDS) allows States to document SLIAG-related costs through a computer-based system which matches State-submitted lists of social security numbers (SSNs) or A-numbers of program recipients against an INS data base for verifying immigration status. If, hypothetically, a State has A-numbers and SSNs for only 75% of all these recipients, does this mean that the State will not be able to receive SLIAG reimbursements for the costs of services provided to eligible legalized aliens who did not provide A-numbers or SSNs to the State?

Ms. Thomas: The Department developed the State Legalization Impact Assistance Grant (SLIAG) Cost Documentation System (CDS) system to give States a way to claim costs that they otherwise would be unable to document. The system works if the State has either social security numbers or A-numbers, or both.

There could be some way to determine an appropriate level of reimbursement for the entire program, even without social security numbers or A-numbers for the entire caseload. Obviously, the reason that social security numbers are not available for the entire caseload is relevant to determining the appropriate level of reimbursement. For example, if undocumented aliens -- who are by definition not "eligible legalized aliens" -- are disproportionately represented in the portion of the caseload for which social security numbers are missing, that factor would have to be taken into account.

We have told States that we will work with them to develop methods to determine appropriate levels of reimbursement when social security numbers or A-numbers are not available for a portion of the caseload. In cases where this has occurred, we have been able to help States determine the appropriate level of reimbursement.

Mr. Roybal: How are SLIAG-related costs calculated under CDS for recipients for whom SSNs or A-numbers are unavailable?

Ms. Thomas: We are unable to answer this question in the abstract. While it is likely that it would be possible to determine an appropriate level of State Legalization Impact Assistance Grant (SLIAG) reimbursement in programs where neither social security numbers nor A-numbers are available for the entire caseload, the specific method would depend on the reason complete data are not available. This determination would have to be made on a case-by-case basis. Where the question has arisen, we have been able to assist States in determining the appropriate reimbursement level.

Mr. Roybal: What were total SLIAG outlays, by quarter, in FY 1988 and FY 1989?

Ms. Thomas: We only have aggregate information for FY 1988, when State drawdowns of State Legalization Impact Assistance Grant (SLIAG) funds totaled $9,371,142. During FY 1989, drawdowns were as follows:

1st Qtr FY 89 -- $ 50,594,539
2nd Qtr FY 89 -- $ 77,042,546
3rd Qtr FY 89 -- $ 61,792,807
4th Qtr FY 89 -- $132,027,632

Total FY 1988-1989 drawdowns were $330,828,666

Mr. Roybal: How much of the FY 1991 outlays were used to reimburse States for the costs of services provided to eligible legalized aliens (ELAs) that were incurred in FY 1988?

Ms. Thomas: There have been no FY 1991 outlays.

Mr. Roybal: What is your estimate of SLIAG outlays in FY 1990, and how much of the FY 1990 outlays are for costs incurred by States prior to FY 1990?

Ms. Thomas: We estimate State Legalization Impact Assistance Grant (SLIAG) outlays for FY 1990 will be $525,880,000. SLIAG funds are available for use by States in the year in which they are made available and subsequent years through FY 1994. We have no basis for estimating whether the amount of funds drawn down will reimburse FY 1988, FY 1989 or FY 1990 costs because States are not required to report drawdowns by program category.

Mr. Roybal: For FY 1988 and FY 1989 respectively, what were the total SLIAG outlays for each of the following categories: (a) public health, public assistance, and education?

Ms. Thomas: We do not have information on State Legalization Impact Assistance Grant (SLIAG) outlays for these categories, but actual and estimated costs reported to date by States for FY 1988 and FY 1989 for each of the three categories are as follows:

	Actual FY 1988	Estimated FY 1989
Public Assistance	$6,966,206	$15,808,284
Public Health	$8,888,134	$53,595,845
Education	$3,568,271	$47,315,527
Total	$19,422,611	$116,719,656

Mr. Roybal: Within each category of education, how much was spent on elementary and secondary education and adult education, respectively?

Ms. Thomas: We are still analyzing States' cost reports and do not yet have complete data on this subject.

Mr. Roybal: Within the category of public assistance, how much was spent to reimburse State and local Medicaid costs and non-Medicaid indigent health costs, respectively?

Ms. Thomas: We are still analyzing States' cost reports and do not yet have complete data on this subject.

Mr. Roybal: Does the Department have estimates from States of SLIAG-related costs incurred in FY 1988 and 1989 which have not yet been reimbursed by SLIAG funds?

Ms. Thomas: We are still analyzing States' cost reports for FY 1989 and cost report revisions for FY 1988. We have no basis for determining the extent to which States may have allowable costs from FY 1988 or FY 1989 for which they have not draw down State Legalization

Impact Assistance Grant (SLIAG) funds because States are not required to report whether they have drawn down funds to reimburse specific costs or to report drawdowns in a way that links them to specific costs.

Mr. Roybal: If yes, what are the estimated unreimbursed costs for each year?

Ms. Thomas: We have no basis for providing such an estimate because we do not require States to report to us whether they have drawn down funds to reimburse specific costs or to link drawdowns to specific costs.

Mr. Roybal: What is the dollar amount of SLIAG claims currently pending with States which have not yet been paid by fiscal year in which the costs were incurred?

Ms. Thomas: We are still analyzing State's cost reports for FY 1989 and cost report revisions for FY 1988. We do not require States to report to us whether they have drawn down funds to reimburse specific costs or to link drawdowns to specific costs. We think it unlikely that States have failed to reimburse costs that they consider to be adequately documented.

Mr. Roybal: Under section 204(a) of IRCA, estimated Federal expenditures on financial assistance (e.g. Medicaid) provided to aliens legalized under Section 245A of IRCA are deducted ("offset") from $1 billion in determining the amount of annual SLIAG appropriations. IRCA also requires adjustments to be made in the following year for the difference between the estimated Federal offset and actual amount of Federal expenditures in the prior year. How does the Department collect data on actual Federal offset expenditures?

Ms. Thomas: The offset is primarily the Federal share of providing Medicaid to "pre-1982" aliens -- those legalizing under section 245A of the Immigration and Nationality Act -- who are exempted from the general five-year bar to eligibility. We require States to report to us the amount of actual State and local costs incurred to provide Medicaid to section 245A aliens. We use this information as a basis for calculating actual Federal expenditures for costs included in the offset. Food Stamp costs also are included in the offset and will be incurred beginning this fiscal year as Section 245A aliens become permanent residents. We are working with the Department of Agriculture to obtain information on these costs.

Mr. Roybal: For FY 1988 and FY 1989, what were the actual Federal expenditures for each program subject to the offset?

Ms. Thomas: We are in the process of analyzing State actual cost data. These data are still incomplete, in part because we are missing data from a number of States, including some large States such as California.

Mr. Roybal: For each of those programs in FY 1988 and FY 1989, what were the total State and local expenditures on eligible legalized aliens, including special agricultural workers (SAWs)?

Ms. Thomas: We are in the process of analyzing State cost data. These data are still incomplete, in part because we are missing data from a number of States, including some large States such as California.

Mr. Roybal: In testimony before this Committee, Secretary Sullivan stated that FY 1991 Federal legalized alien Medicaid costs are estimated to be $160 million while the overall State and local share is estimated to be $126 million. I understand that these estimates exclude Medicaid costs on special agricultural workers (SAWs) that are not subject to the Federal offset. State and local costs of aiding SAWs, however, are reimbursable by SLIAG funds. What is the estimate of State and local Medicaid costs on SAWs in FY 1991?

Ms. Thomas: We have not developed an estimate of FY 1991 Medicaid costs for special agricultural workers (SAWs), because costs associated with SAWs are not included in the offset. It should be noted that the more than 80 percent of SAWs are male and the majority are single. These factors limit the number of SAWs who will meet basic Medicaid eligibility criteria.

Mr. Roybal: The Department's $126 million estimate of State and local Medicaid costs on aliens legalized under section 245 [sic] of IRCA assumes an average Federal Medicaid matching rate of 55.94%. That percentage seems high given that most legalized aliens reside in States with a 50% Federal share of costs. Please describe the methodology used to estimate the Federal and non-Federal share of Medicaid costs.

Ms. Thomas: The average Federal match for the 10 largest States is 56.12%. We used States' estimated Medicaid costs as a basis for estimating the amount of the Federal offset. To calculate actual Medicaid costs included in the offset, we use information required in States' end-of-year reports on actual State and local costs incurred to provide Medicaid to Section 245A aliens.

Mr. Roybal: What is the Department's estimate of total State and local legalized alien costs in FY 1991 which are potentially reimbursable by SLIAG funds, by category?

Ms. Thomas: We are still analyzing State's recent cost estimates and reports and do not yet have this information.

Mr. Roybal: What is the Department's estimate of the allowable amount of SLIAG funds that States could have potentially spent with respect to elementary and secondary students who are eligible legalized aliens (ELAs) in FY 1988 and FY 1989?

Ms. Thomas: We do not yet have complete data from States on the number of school districts that qualify for State Legalization Impact Assistance Grant (SLIAG) funding for elementary and secondary school students and, therefore, do not have this information at this time.

Mr. Roybal: What are the estimated amounts for FY 1990, 1991, and 1992? For each of those years, what is the estimate of the total number of ELA elementary and secondary schools who have attended school in the U.S. for less than three years?

Ms. Thomas: We do not have precise figures, but we would expect that there are relatively few elementary and secondary school students who during FY 1990 will have attended U.S. schools for fewer than three years, and fewer still in FY 1991 and FY 1992. The period for applying for status under section 245A of the Immigration and Nationality Act -- "pre-1982s" -- ended in May 1988, and the period for applying under section 210 -- special agricultural workers -- ended in November 1988.

Therefore, as eligible legalized aliens complete their third academic year, they are not "replaced" by new students coming into the education system.

Mr. Roybal: Please provide similar estimates for adult education activities.

Ms. Thomas: We are still analyzing State adult education enrollment and cost data. A number of States across the country are reporting declining enrollment in adult education classes funded by State Legalization Impact Assistance Grant (SLIAG). This is expected because the primary focus of SLIAG adult educational services has been to ensure that "pre-1982" aliens -- those legalizing under section 245A of the Immigration and Nationality Act -- meet the requirements for lawful permanent residence. More than two-thirds of 245A aliens already have applied for permanent resident status. Thus, we expect a large part of the demand for educational services will have been met by the end of this fiscal year.

We do not have specific data on the number of adults who have more than three complete academic years in U.S.

schools, but it appears that relatively few adults fall into this category. However, it is important to note that those who have had more than three years in U.S. schools can access services funded under the Adult Education Act on the same basis as citizens or other legal residents.

Mr. Roybal: Under IRCA, SLIAG funds may be used to reimburse State and local costs of aiding eligible legalized aliens for up to five years after they were granted temporary resident status. Please provide the Committee with an estimate of the average total ELA population, by quarter, beginning in FY 1988 and ending in FY 1994.

Ms. Thomas: It is difficult to estimate accurately the average total eligible legalized alien (ELA) population, due to the lack of complete data regarding approval and denial of legalization applications from the Immigration and Naturalization Service. For instance, over 695,000 applications for Phase I legalization are still pending as of March 1990. However, based on historical denial rates, the following table is submitted.

QUARTER	ESTIMATED TOTAL NUMBER OF ELAs
1988	
First Quarter	802,000
Second Quarter	1,175,000
Third Quarter	1,992,000
Fourth Quarter	2,175,000
1989	
First Quarter	2,506,000
Second Quarter	2,521,000
Third Quarter	2,523,000
Fourth Quarter	2,523,000
1990	
First Quarter	2,524,000
Second Quarter	2,524,000
Third Quarter	2,524,000
Fourth Quarter	2,524,000

1991
The number of ELAs should remain basically constant throughout 1991 since the five year limit will not apply to any ELAs.

1992	
First Quarter	2,524,000
Second Quarter	2,524,000
Third Quarter	2,315,000
Fourth Quarter	1,942,000

QUARTER	ESTIMATED TOTAL NUMBER OF ELAs
1993	
First Quarter	1,125,000
Second Quarter	942,000
Third Quarter	252,000
Fourth Quarter	90,000
1994	
First Quarter	14,000
Second Quarter	11,000
Third Quarter	10,000
Fourth Quarter	10,000

Source: Based on Legalization Application Processing System data through March 5, 1990

Mr. Roybal: Does the President's budget request eliminate the FY 1992 appropriation provided for in PL 101-166?

Ms. Thomas: The Administration proposes to eliminate FY 1992 funds appropriated by Pub. L. 101-166 because we believe that the $2.4 billion that will have been awarded to States through FY 1991 under its FY 1991 budget request is sufficient to carry out the purpose of the State Legalization Impact Assistance Grant program.

Mr. Roybal: Does the Administration's budget language eliminate the carry forward authority of unused FY 1991 funds as provided for in IRCA?

Ms. Thomas: No, under the Administration's budget request, FY 1991 State Legalization Impact Assistance Grant (SLIAG) funds could be used through FY 1994.

Mr. Roybal: Does the Administration's budget language eliminate the return of any used FY 1991 Federal offset funds to States as provided for by IRCA?

Ms. Thomas: Under the Administration's budget proposal, the FY 1991 appropriation would not be adjusted upward or downward if Federal costs included in the offset are lower or higher than currently estimated. The Department already has significantly reduced the original Federal offset for each year from FY 1988 through FY 1991. This reestimate will have resulted in States having available nearly $1 billion more than they expected when SLIAG was implemented -- $500 million from reduction of the Federal offset and another $500 million in lower-than-expected State and local Medicaid costs. If Federal costs included in the offset, primarily the Federal share of Medicaid provided to aliens adjusted under section 245A of the Immigration and Nationality Act, are lower than our current projection, it will mean that State costs for Medicaid, and, perhaps, for other public assistance programs, also are lower than either we or States expect. We do not believe that lower assistance costs should be the basis for increasing grant amounts to States.

Mr. Roybal: What is the Administration's rationale for reducing the FY 1991 SLIAG appropriation and eliminating the FY 1992 appropriation, given the fact that SLIAG is a reimbursement program with considerable lag time between the time costs are incurred at the local level and the time they are billed to the Federal government, and also considering the fact the SLIAG was meant to have a seven-year spending cycle?

Ms. Thomas: The Immigration Reform and Control Act of 1986 (IRCA) set funding for SLIAG at a time when no one knew how many aliens would be legalized or the extent to which they accessed public services. The impact of the legalization process appears to be less than Congress and State and local governments anticipated in 1986 when initial funding levels were set. SLIAG funding levels do not affect availability of public assistance and public health services. The need for special educational services to enable lawful temporary residents to meet the requirements for permanent resident status will have been met by the end of FY 1990. Under the Administration's FY 1991 budget proposal, States will receive $2.4 million. This amount is sufficient to permit States to use SLIAG funds in FYs 1990, 1991, and 1992 at double past spending rates and still have funds left for use in FYs 1993 and 1994. We believe this amount is sufficient to fulfill SLIAG's purpose.

Mr. Roybal: Has the Administration considered the fact there are now two new allowable uses of SLIAG funds, outreach and antidiscrimination activities -- which will no doubt increase the amount of SLIAG funds States will be drawing down?

Ms. Thomas: Yes, we considered whether additional funds were warranted. However, under Pub. L. 101-238, States may use only 2% of their State Legalization Impact Assistance Grant (SLIAG) funds for temporary resident outreach and immigration-related employment discrimination education and outreach. We do not believe that this amount is a major factor, particularly in light of the fact that, as of the end of February 1990, States had drawn down only about 30% of their SLIAG funds.

REFUGEE AND ENTRANT ASSISTANCE

Mr. Roybal: Since 1985, the reimbursements to State/Local Governments for the costs of cash and medical assistance provided to refugees has been severely reduced. The Office of Refugee Resettlement justifies these reductions by saying that it encourages State/Local Governments to make refugees self-sufficient sooner. Is there any evidence to support that these reductions are having that effect or are they simply transfers of costs to the State/Local Governments?

Ms. Thomas: During the last 3 years, the overall dependency rate of refugees for whose assistance Federal refugee funds are provided to the States -- whom we usually term "time-eligible" refugees -- has varied slightly, from 49.7% at the end of FY 1987 to 52.1% at the end of FY 1988 to 48.5% at the end of FY 1989.

During this period, the dependency rate in California increased from 77.2% to 80.1%, while the dependency rate in all other States combined decreased from 34.8% to 31.1%.

Mr. Roybal: Have these reductions adversely affected local support for continued immigration of refugees into this country?

Ms. Thomas: While the reduced period of Federal subsidies for State shares of cash and medical assistance may have placed some additional financial burden upon State/local governments, we have not perceived any reduction in local support for the continued acceptance of refugees who find it necessary to leave their native lands because of persecution or the threat of persecution.

Mr. Roybal: The federal resources (Social Services and Targeted Assistance) currently provided to States to assist refugees to become self-sufficient have been reduced from a per capita of $1,764 in FY 1985 to only $1,019 proposed for FY 1990. In addition, the Office of Refugee Resettlement has been decreasing the ability of State/Local Governments to develop innovative programs which address the barriers that refugees face in becoming self-sufficient in this country. What has been the impact of these per capita reductions on the ability of the State/Local Governments to deliver services to refugees to ensure that they become self-sufficient as quickly as possible?

Ms. Thomas: Although overall funding for the refugee program has decreased in the last few years, principally in the reduction of funds for cash and medical assistance, the funding for services actually increased in FY 1990. Congress raised the amount for refugee social services from $64,906,000 in FY 1989 to $75,000,000 in FY 1990, together with an increase in funding for the targeted assistance program from $34,052,000 to $38,052,000 in these same years. At the same time, funding for the voluntary agency matching-grant program rose from $15,808,000 in FY 1989 to

$40,000,000 in FY 1990. In all instances, our FY 1991 budget request is to maintain the higher levels established in the FY 1990 appropriation.

Mr. Roybal: Why has the Office of Refugee Resettlement not provided State/Local Governments with increased flexibility in program design in recognition of the fact that they must now pay for the largest share of cash and medical assistance costs?

Ms. Thomas: The Office of Refugee Resettlement has increased, rather than decreased, the ability of State and local governments to develop innovative programs. New regulations of the Office of Refugee Resettlement which went into effect July 1, 1989, provide greatly increased flexibility in the provision of services to all of the States except those with the highest refugee dependency rates where we continue to believe that the emphasis must be on employability services, given the objective of the Refugee Act to place refugees on jobs as soon as possible after their arrival in the United States and to promote refugee self-support. During the last few years, Key States Initiative projects have provided additional opportunities and funds to address needs in States with persistent problems of high dependency. Other discretionary grants have enabled States with good job opportunities to develop special projects to increase refugee employment.

Mr. Roybal: Each year the Office of Refugee Resettlement has been unable to provide State/Local Governments with a timely indication of the available funding under Social Services and Targeted Assistance. The preliminary notices aren't available until the middle of the second quarter and final notices aren't published until the end of the third quarter or even the fourth quarter. What is the impact of these delays on the ability of State/Local Governments to effectively plan and deliver the services needed by refugees to become self-sufficient?

Ms. Thomas: Social service grants are made quarterly to the States throughout the fiscal year on the basis of the prior year's allocations until new proposed allocations are developed, at which time the aggregate amounts are adjusted to be in accord with the proposed allocations. Thus, this year, the awards for the quarter beginning April 1 are in amounts such that the aggregate for the first three quarters reflects the new allocations. In the targeted assistance program, funding advances are made as needed, when applied for by the States, before new allocations are determined, so that interruptions in programs do not occur.

Mr. Roybal: What are the reasons for these delays in the first place and what could be done to reduce or eliminate them?

Ms. Thomas: The timing reflects both the timing of the appropriation, which was enacted November 21, 1989, and the need for prior-year refugee arrival data which provide the basis for the necessary population estimates. Given the timing of appropriations and the need for complete population data for the preceding year, we do not believe the process of issuing allocation notices can be speeded up very much. We will continue to do our best to issue notices as early in the year as possible.

Mr. Roybal: When Secretary Sullivan testified in front of the committee on February 8, 1990, his responses seemed to be inconsistent with statements and actions from the Office of Refugee Resettlement and the Family Support Administration's Grants Management Office. All States report that their grant awards for the first two quarters of FY 1990 are between 20 and 40 percent below the estimates of costs using ORR's four month claiming for categorical aid programs and twelve months for the RCA/RMA programs. Some States have even indicated that the grant award may be insufficient to cover the costs of RCA/RMA. Also, Mr. Phil Holman, a Deputy in the Office of Refugee Resettlement, has indicated that surpluses from one State cannot be used to cover deficits in another state. Do you believe that the $210,000,000 appropriated will be sufficient to cover the full cost of twelve months of RCA/RMA and four months of categorical programs?

Ms. Thomas: Based on the information currently available, we continue to estimate that the $210,000,000 will be sufficient to cover 12 months of RCA/RMA and up to 4 months of the categorical programs. We will be re-evaluating this before the final awards to the States for the fourth quarter, based on States' expenditure reports for the first three quarters of the fiscal year. No States have yet submitted expenditure reports showing experience with the 4-month period for the categorical programs that began January 1.

Mr. Roybal: If not, what is the amount of the shortfall and how do you intend to distribute it to States?

Ms. Thomas: We continue to estimate 4 months.

Mr. Roybal: Also, will you be able to transfer surpluses from one State to another to cover individual deficits?

Ms. Thomas: Funds must be obligated before the end of the fiscal year based on the best information available.

Surpluses and deficits are known only after the end of the fiscal year when the States submit expenditure reports for the period ending September 30. While we can use a State's prior-year surpluses to offset later deficits, we cannot, in the absence of specific appropriation language, reallocate funds among the States after the end of the fiscal year for which the funds were appropriated and obligated.

Mr. Roybal: In earlier testimony before this Committee, Secretary Sullivan indicated that the Department has not limited the period of Federal reimbursement of State and local refugee Medicaid, AFDC, and SSI costs to four months effective January 1, 1990 and that it is possible that the $210 million in FY 1990 appropriations will provide more than four months of reimbursement. Yet, I understand that states believe that the reimbursement period is limited to four months. Has your Department instructed states to limit claims for refugee Medicaid, AFDC, and SSI costs to refugees in the country for four months or less?

Ms. Thomas: Yes, we notified the States a few days after the FY 1990 appropriation was enacted that, effective January 1, 1990, claims for these costs would be for assistance to refugees during their first 4 months in the U.S. This is our best current estimate of the period that the available $210 million will cover, and claims for this uniform period will provide an equitable basis for funding among the States. All of the $210 million will be provided to the States regardless of whether it is sufficient for more than 4 months.

Mr. Roybal: If not, what is the number of months for which they may claim refugee costs?

Ms. Thomas: Four months is the correct estimate.

Mr. Roybal: In the event that the $210 million is sufficient to reimburse costs for more than four months, how would you allocate the surplus among states?

Ms. Thomas: If the last State estimates and expenditure reports before the final awards for this fiscal year are made should show a need for less than the full $210 million in order to cover the 4-month categorical period, we would allocate the residual funds on the basis of an equitable formula based on the States' reported expenditures for the 4-month period, and we would include those amounts as part of the final award for the fiscal year.

Mr. Roybal: For each quarter of FY 1988 and FY 1989, what were the amounts paid to all states for cash and medical assistance provided to refugees by program (AFDC, SSI, Medicaid, Refugee Cash Assistance), cash general assistance, Refugee Medical Assistance (RMA), Medical general assistance, unaccompanied minors and foster care)? Please provide estimates of actual dollar amounts, by programs, if actuals are unavailable.

Ms. Thomas: The following table presents quarterly expenditure data for FY 1988 and FY 1989 for cash and medical assistance provided to refugees by program:

Outlays for Refugee Assistance
($ in Thousands)

Fiscal Year 1988

Refugee Assistance	I	II	III	IV	Total
AFDC	$ 3,156	$10,142	$11,193	$12,114	$36,606
Medicaid	10,304	1,904	14,860	4,917	31,985
SSI	193	189	214	9,998	10,593
Refugee Cash Assistance	8,742	13,957	15,217	16,474	54,389
Refugee Medical Assistance	3,294	3,993	13,718	8,018	29,023
General Cash Assistance	1,777	1,424	1,022	103	4,326
General Medical Assistance	450	351	356	347	1,504
Unaccompanied Minors	3,675	7,529	13,086	7,852	32,142
Total	$31,591	$39,488	$69,667	$59,823	$200,568

Fiscal Year 1989

	I	II	III	IV	Total
AFDC	$11,286	$12,867	$14,799	$18,973	$57,925
Medicaid	5,989	5,937	4,842	8,965	25,733
SSI	162	201	178	13,706	14,248
Refugee Cash Assistance	9,244	13,407	13,687	21,927	58,265
Refugee Medical Assistance	6,418	6,869	8,598	12,325	34,210
General Cash Assistance	730	1,532	2,613	2,404	7,289
General Medical Assistance	252	305	310	741	1,608
Unaccompanied Minors	3,762	6,202	8,292	10,788	29,044
Total	$37,843	$47,320	$53,319	$89,829	$228,311

Mr. Roybal: Of FY 1990 and 1991, what are projected expenditures, by quarter, for each of the above programs?

Ms. Thomas: Refugee assistance estimates for FY 1990 and FY 1991 are available by program but not by quarter. These estimates are as follows:

Assistance Category	FY 1990	FY 1991
	($ in Millions)	
AFDC	$23.2	$19.1
Medicaid	14.4	12.5
SSI	8.6	7.9
Refugee Cash Assistance	68.1	71.1
Refugee Medical Assistance	41.3	45.5
General Cash Assistance	1.4	--
General Medical Assistance	.4	--
Unaccompanied Minors	30.0	31.3
Total	$187.4	$187.4

Mr. Roybal: Please provide the actual amount of funds paid to states for their administrative costs in FY 1988 and FY 1989, and what are the estimated amounts for FY 1990 and FY 1991?

Ms. Thomas: The following table presents data on State administrative cost for the refugee assistance program:

	State Administration ($ in Millions)
FY 1988	$ 27.4
FY 1989	37.6
FY 1990 (estimates)	22.6
FY 1991 (estimates)	22.6

Mr. Roybal: For each quarter of FY 1990 and FY 1991, what are your budget assumptions regarding the average number of refugees in the country for 4 months or less, 5 to 12 months, 13 to 24 months, and 25 to 36 months?

Ms. Thomas: Budget estimates with respect to the average number of refugees are prepared on a fiscal year basis only. For FY 1990 and FY 1991 the following table presents data on the average number of refugees in the country by months of residence:

Number of Months in the Country	Average Number of Refugees FY 1990	FY 1991
1-4	37,917	36,420
5-12	75,999	74,382
13-24	112,617	113,917
25-36	94,919	112,616
Total, 36 Months or less	321,452	337,335

Mr. Roybal: Under Section 412(c)(1)(B) of the Immigration and Nationality Act, funds for social and employment services authorized under Section 412(c)(1)(A) of the Act are to be allocated to states based on each state's 36-month refugee population. The Office of Refugee Resettlement;s (ORR) state allocation formula in past years, however, has included a minimum floor which allocates more dollars per refugee to states with small refugee populations than to other states. ORR also has funded discretionary grants which are not allocated among states based on their 36-month refugee populations. How do you explain the inconsistency between the statutory language and how ORR actually allocated such funds?

Ms. Thomas: We have annually used a portion of the social service appropriation to fund discretionary projects directed toward the highest priorities of the Refugee Act -- that is, refugee employment and self-sufficiency -- and to meet other special needs that cannot be appropriately addressed through the formula allocation. We consider it important to encourage the continued participation of as many States as possible in the refugee program and to provide a minimum level of funding to States whose refugee arrivals during the preceding 3 years may not be large enough to result in a workable pro-rata amount. The participation of these States can result in their acceptance of refugees who would otherwise have gone to already impacted areas where they would have tended to rely on public assistance for extended periods of time rather than becoming self-supporting. We believe that while the statutory language prescribes the basis for the formula allocation of social service funds, it does not require that all of the funds appropriated be allocated by the formula.

Mr. Roybal: How much of the funds appropriated for social and employment services does the Department plan to use for discretionary projects on FY 1990 and FY 1991, and what kinds of projects would be funded?

Ms. Thomas: We are proposing to use 16% for discretionary projects in FY 1990. We expect major emphasis in the use of discretionary funds to be on continued efforts to reduce dependency and increase refugee employment and self-support. These are the principal objectives of the Key States Initiative, Job Links and Planned Secondary Resettlement projects. No decision has been made with respect to FY 1991.

Mr. Roybal: Please provide the Committee with a listing of all discretionary projects grantees in FY 1989 along with the dollar amounts of the grant awards, brief project description, and an identification of the states served by each project.

Ms. Thomas: During FY 1989, the Office of Refugee Resettlement approved projects totaling $9.8 million in discretionary funds to support activities designed to improve refugee resettlement at national, regional, State, and community levels. In addition, activities supported by funding allocated during FY 1988 also were carried out during FY 1989. Major discretionary awards included the following:

- $2.3 million to support special initiatives (Key States Initiative) in four States with large numbers of refugees on welfare.

- $3.4 million in Job Links project grants, designed to improve linkages between employable refugees and potential employers in communities which offer good employment opportunities to refugees.

- $837,383 in grants under the Planned Secondary Resettlement Program, which provides an opportunity for unemployed refugees and their families to relocate from areas of high welfare dependency to communities with favorable employment prospects.

- $960,000 to InterAction, as agent for the national voluntary resettlement agencies, to assist in the resettling of an expected 10,000 Amerasian young people and their families.

- $785,300 to address Hmong resettlement needs in areas of high concentration, particularly to alleviate social adjustment problems and to increase self-sufficiency.

- $500,000 to the Public Health Service to carry out hepatitis B screening, and vaccination as appropriate, of children and pregnant refugee women who have been in the United States since 1981 and for public information programs and interpreter services related to hepatitis B screening and vaccination.

- ORR continued into its third year of its Key States Initiative to respond to the persistence of high welfare dependency in four States. (One State, Pennsylvania, withdrew from the program.)

In FY 1989, ORR extended its Cooperative Agreements with four States -- New York, Minnesota, Wisconsin, and Washington. The Agreements provide financial support to enable the States to implement individualized plans to increase employment and reduce welfare dependency among targeted populations in selected communities. The States have identified the target populations, designed strategies to reduce welfare dependency through increased employment, and implemented services based on those strategies.

Funds awarded during FY 1989 to the four states are as follows:

New York	$ 498,924
Minnesota	500,000
Wisconsin	800,000
Washington	500,000
TOTAL	$2,298,924

KSI Outcomes

The Wisconsin KSI has had outstanding results in its two years of operation. In FY 1989, 489 KSI clients were placed in full-time jobs at an average hourly wage of $5.60 while 127 clients were placed in part-time jobs. Welfare terminations were achieved for 313 families and grant reductions for 79 families as a result of increased employment.

As of the end of 2 years, 482 families, or 2,700 individuals, in KSI had left welfare, and 196 families had reduced grant levels due to employment. On an annualized basis, these terminations and reductions represent welfare savings of approximately $1.9 million in State and Federal funds.

Washington's performance was similarly noteworthy. In FY 1989, almost 1,200 clients on public assistance received pre-employment training and of these 489 secured employment. A separate program, designed to provide reimbursement for job-related expenses for refugees who, through earned income, reduce or end reliance on public assistance, resulted in 220 welfare grant reductions and terminations for welfare savings of $427,700.

KSI programs results in Minnesota and New York have been disappointing. In both cases, ORR is working with the State to improve program performance. ORR will continue to monitor performance throughout the year to determine whether to continue funding these programs in FY 1990.

o Job Links

The objective of the Job Links cooperative agreements is to develop service initiatives which would strengthen linkages between employable refugees and potential employers in communities with good job opportunities.

Twenty States requested funds in the amount of $3,397,107 to support cooperative agreements with ORR.

Nineteen States were awarded cooperative agreements in the amount of $3,166,274 in FY 1989. One of the 19 States, Mississippi, received partial funding in FY 1989 with the balance of $34,533 expected to be awarded in FY 1990. Iowa also received partial funding in FY 1989 with a balance of $37,483 to be funded with FY 1990 funds. Maine was recommended for funding in FY 1989, but due to the lack of funds is expected to receive FY 1990 funds. Thus, the balance of $230,833 is expected to be awarded in FY 1990. Grant recipients were as follows:

State	Amount	Activities
Alabama	$190,000	A, CC
Georgia	300,000	ES, CC, A,
Idaho	187,500	ESL, ES, SS
Iowa*	253,528	ES, VESL, SS
Kansas	299,937	VESL, SS
Kentucky	165,800	ES, VESL, SS
Louisiana	100,000	ES, ESL
Maryland	205,864	ESL, ES, SS
Mississippi**	70,467	ES
New Hampshire	119,913	ES
New Mexico	112,500	ES
North Carolina	150,000	ES
North Dakota	79,000	ES, CC
Oregon	80,000	ES, SS
Pennsylvania	170,000	ES, VESL
South Dakota	59,910	ES, CC, VESL, CM
Tennessee	300,000	ES
Texas	292,455	ES, CC, SS, CM
Vermont	29,400	ES
TOTAL	$3,166,274	

Key:		
	A	Adjustment Services
	CM	Case Management
	CC	Child Care
	ES	Employment Services
	ESL	English as a Second Language
	SS	Support Services
	VESL	Vocational English as a Second Language

* Partially funded in FY 1989, balance of $37,483 to be funded in FY 1990.

** Partially funded in FY 1989, balance of $34,533 to be funded in FY 1990.

o **Planned Secondary Resettlement (PSR) Program**

The Planned Secondary Resettlement (PSR) program provides an opportunity for unemployed refugees and their families to relocate from areas of high welfare dependency to communities in the U.S. that offer favorable employment prospects. Secondary resettlement assistance and services are provided to refugees who participate in a planned relocation. Eligibility is limited to refugees who have lived in the U.S. for 18 months or more and who have experienced continuing unemployment.

PSR grants are conducted in two phases: 1) a planning phase to assess and prepare prospective receiving communities and to identify and prepare interested refugees for participation in PSR; and 2) a resettlement phase to implement a planned relocation involving the provision of services to facilitate adjustment and prompt employment.

Eligible grantees include States and public and private non-profit organizations that have had demonstrated experience in the provision of services to refugees, such as refugee mutual assistance associations (MAAs) and national and local voluntary agencies. As of the end of FY 1989, there were six PSR grantees: four mutual assistance associations, and two voluntary agencies. In FY 1989, one new and three continuation grants were awarded totaling $837,383 to relocate 415 refugees as follows:

GRANTEE	AMOUNT
Hmong Natural Association of North Carolina P.O. Box 1709 Morganton, NC 28655	$199,541
Asian Community Services 145 New Street Decatur, GA 30030	200,000
Lutheran Family Services of North Carolina P.O. Box 13147 Greensboro, NC 27405	269,496
Montana Association for Refugee Services 1201 Grand Avenue Billings, MT 59102	168,346
TOTAL	$837,383

Two grantees, Catholic Social Services of Charlotte, North Carolina, and the Hmong American Planning and Development Center of Dallas, Texas, continued to implement PSR projects through FY 1989 with FY 1987 and 1988 funding.

PSR Outcomes for Families Resettled since FY 1983

- o **Number of PSR Participants** -- To date, 226 families (1,150 individuals) have relocated from high welfare areas to self-sufficient communities through the PSR program.

- o **Employment** -- All families found full-time employment soon after arrival in the PSR communities. The majority of PSR families are now multiple wage-earner families with both husbands and wives working. Almost 90 percent work in production jobs in factories, including electronic assembly, furniture-making, and textiles. Men are earning an average of $6.51/hour and women an average of $5.75/hour.

- o **Family Income** -- Average monthly income has increased dramatically after relocation. Monthly family income ranged from an average of $1,300 for FY 1989 projects to $2,000 for projects with several years of experience.

- o **Welfare Dependency** -- With the exception of three elderly refugees on SSI, welfare utilization decreased from 100% prior to relocation to zero after relocation.

- o **Home Ownership**: To date, 45 PSR families have become self-sufficient enough to become homeowners.

- o **Secondary Migration** -- The staying power of planned secondary resettlements is high. Approximately 95 percent of the refugees who have participated in PSR since FY 1983 have remained in their new communities.

- o **Costs and Benefits** -- In FY 1989, the average cost of resettling families through the PSR program was $10,000 per family while average welfare cost savings to the government were estimated at $987 a month per family. At this rate, PSR families, on average, repay the cost to the government in just 10 months.

- o **Amerasian Initiative**

  The Office of Refugee Resettlement continued its Cooperative Agreement with InterAction to assist in the resettlement of approximately 10,000 Vietnamese Amerasians and family members. (Amerasians are children born in Vietnam to Vietnamese mothers and American fathers and are admitted to the United States under P.L. 100-202 as immigrants, but are entitled to the same social services and assistance benefits as refugees.)

The national voluntary resettlement agencies have designated approximately 40 communities for clustering resettlement of free case Amerasians. Under the InterAction agreement, local affiliates of the national voluntary agencies are encouraged to undertake comprehensive planning for the Amerasian caseload and may apply for sub-grants from InterAction for special activities to assist in Amerasian resettlement.

In FY 1989, ORR made $960,555 available to InterAction under the Cooperative Agreement. With this, together with $593,232 awarded in FY 1988, InterAction made 33 sub-grants to communities throughout the United States which expected to receive more than 100 Amerasians and family members each. Communities which received the sub-grants of approximately $33,000 were Boston and Springfield, Massachusetts; Portland, Maine; Rochester, Syracuse, Utica, and the Bronx, New York; Newark, New Jersey; Philadelphia and Pittsburgh, Pennsylvania; the Washington, D.C. area; Richmond, Virginia; Greensboro, North Carolina; Jacksonville, Florida; Mobile, Alabama; Louisville, Kentucky; Chicago, Illinois; Lansing and Grand Rapids, Michigan; Minneapolis, Minnesota; Fargo, North Dakota; Dallas and Houston, Texas; Salt Lake City, Utah; Phoenix, Arizona; Santa Clara, California; Portland, Oregon; Tacoma, Washington; Honolulu, Hawaii; Burlington, Vermont; Hartford, Connecticut; St. Louis, Missouri; and Atlanta, Georgia.

- Hmong National Strategy Development

  ORR entered into a cooperative agreement with Lao Family Community of Fresno, Inc. to develop a national plan of action to: 1) increase self-sufficiency and reduce welfare dependency in communities where large numbers of Hmong are on welfare; 2) maintain the stability of self-sufficient Hmong communities to serve as an alternative to the impacted areas; and 3) share responsibility, as partners, for the resolution of Hmong resettlement problems. The agreement provides $80,909 to Lao Family Community which is serving as the responsible agent for this project on behalf of a coalition of Hmong leaders in the U.S. A working committee of Hmong representatives will organize a series of strategy meetings, involving Hmong communities in different regions of the country, to develop regional plans of action to achieve the objectives stated above. These plans will contain commitments from leaders in self-sufficient communities, as well as leaders in high welfare communities, to reduce the welfare dependency of Hmong in high welfare areas. The final result will be a national multi-year plan which articulates a set of strategies to increase Hmong self-sufficiency, delineates the responsibilities that the Hmong leadership will assume, and identifies the areas where Federal, State, and local government assistance are needed to implement the plan. The plan will be put into effect once mutual agreement by all parties is reached.

- Special Services to Hmong New Arrivals

Grants were awarded to four voluntary agencies for a second year to provide extended orientation services and to develop a network of Hmong and American volunteers to assist Hmong new arrivals in six communities: Fresno and Merced in California and Green Bay, LaCrosse, Eau Claire, and Wausau in Wisconsin. The purpose of these projects is to strengthen the initial resettlement of these refugees in order to hasten their adjustment to life in the U.S. and to better prepare them for self-sufficiency. Grants totaling $347,632 were awarded as follows in FY 1989:

Grantee	Amount
American Council for Nationalities Service	$125,186
United States Catholic Conference	112,659
International Rescue Committee	59,787
Lutheran Immigration and Refugee Service	50,000
TOTAL	$347,632

- Grants to Address Critical Unmet Needs in the Central Valley

Grants were awarded to Fresno, Merced, and Tulare counties to address critical and persistent social adjustment needs of refugees, particularly Highland Lao refugees, in the Central Valley of California. Services consist of family counseling/mediation, translation, and information and referral services for refugees in Fresno, crisis intervention and youth development activities in Merced, and information and referral services in Tulare County.

Grant awards were as follows:

Grantee	Amount
County of Fresno Department of Social Services	$200,000
Merced County Human Services Agency	106,800
Tulare County Department of Public Social Services Social Services	50,000
TOTAL	$356,800

- Refugee Crime

  The Office of Refugee Resettlement continued its Interagency Agreement with the Department of Justice, Community Relations Service (CRS), to address problems of refugee crime victimization. ORR made $32,000 available to CRS to conduct a series of community-based meetings bringing together police, refugee leaders, school authorities, court personnel, resettlement staff, and others to strengthen understanding among the various entities. Among the communities in which meetings were held during FY 1989 were Long Beach, California; Kansas City, Missouri; Seattle, Washington; the Mississippi-Alabama-Florida Gulf Coast; Oakland, California; Denver, Colorado; Des Moines, Iowa; Edison, New Jersey; Houston, Texas; and Nashville, Tennessee.

- Refugee Hepatitis B Vaccination Program

  A program of hepatitis B surface antigen screening among pregnant women and unaccompanied minors was instituted in Southeast Asia in September 1983. The newborns of refugee women who test positive are given immunizations of globulin and vaccine, and close household contacts of unaccompanied minors who are carriers receive vaccine. This program, however, did not provide for the screening of subsequent pregnancies among the identified carrier refugee populations or for the identification of carriers among refugees who arrived prior to 1983.

Beginning in FY 1986, ORR has provided funds ($596,000 in each of Fiscal Years 1986 through 1988 and $500,000 in FY 1989) to the Public Health Service to reach these groups. Through an interagency agreement, the Centers for Disease Control (CDC) makes grants to the States for the purpose of screening all refugee women aged 15-35 who have entered the U.S. since October 1981 and who encountered the health care system for prenatal care during the project. Newborns of refugee women who are found to be carriers receive vaccinations and close household contacts are screened and are vaccinated if necessary.

OFFICE OF COMMUNITY SERVICES

Mr. Roybal: Please provide the Committee with accomplishments of the Community Economic Development program. How many jobs have been created and funds leveraged by this program to date?

Ms. Thomas: The latest figures available on jobs created under the Community Economic Development program are as of June 1989. Of the projects funded and completed between FY 82 and FY 88, we estimate that 18,647 people have worked on projects partially funded by CED funds.

The only figures that have been documented regarding the leveraging of other funds are for projects completed in FY 88. We estimate that those projects leveraged over $67,000,000 in private and public funds.

Mr. Roybal: The CED program is targeted both to Community Development Corporations and to low income neighborhoods and individuals. Is there any other federal program which works exclusively through CDC's and is so targeted to assisting low income people?

Ms. Thomas: I am not aware of any other federal program that promises all of its funds to CDC's.

CHILD SUPPORT ENFORCEMENT

Mr. Dwyer: The child support enforcement program is a federal/state effort to ensure that children are supported financially by their parents to reduce the cost of welfare to the taxpayer. Your budget justification states that this program has been very effective, and child support payments by absent parents in 1989 totaled more than $5.3 billion. What actual percentage of absent parents were located by this program and are now paying child support?

Ms. Thomas: In FY 1989, the States and jurisdictions that operate the Child Support Program located 1,597,521 absent parents. This represents over

13 percent of the total absent parent IV-D caseload of 11,863,755 cases. Collections were obtained from almost 18 percent of the total absent parents caseload. We are unable to link locates with payment status at this time. However changes to the reporting requirements as a result of the Family Support Act of 1988, will enable us to collect information on the number of cases needing location services in order to enforce or modify an obligation and the number of those cases that actually receive those services.

Mr. Dwyer: What efforts are being made to improve the interstate collection of child support?

Ms. Thomas: Currently, actions are underway which offer solutions to the problem of parents moving to other States to avoid having to pay child support. For example, regulations were recently published which established tough performance standards. Due to these regulations, States will be required to process both interstate and intrastate cases within specific timeframes. This requirement should result in States giving greater priority to enforcement of interstate cases. Second, the Office of Child Support Enforcement has levied audit penalties against States which have failed to fully implement provisions passed in 1984. These provisions can strengthen collection efforts, and include mandatory wage withholding, use of liens and bonds, and use of consumer credit agencies to enforce both in-State and interstate support orders. Third, HHS is developing an interstate telecommunications network which will facilitate communications between States in interstate cases through the electronic exchange of data.

Finally, the recently enacted Family Support Act of 1988 provided for the establishment of a Commission on Interstate Child Support. This Commission, which is being established, will study problems of interstate support enforcement and make recommendations.

Mr. Dwyer: Please explain the collaborative efforts between CSE and AFDC?

Ms. Thomas: The AFDC and Child Support programs have had an initiative to improve the interface between the two programs for the last few years. This has resulted in Regional cooperative program reviews of the programs as well as a joint effort to establish objectives for state agencies. A joint data element dictionary was produced and sent out to the state agencies. Currently IV-A (AFDC) and IV-D (OCSE) staff are jointly writing revised regulations on non-cooperation and good cause.

Efforts to obtain child support on behalf of AFDC and Medicaid clients are often hampered by inadequate information on the absent parent and the failure of clients to meet scheduled appointments and hearings. Regulations will be issued that assign to child support professionals, rather than public assistance intake interviewers, responsibility for evaluating client cooperation in obtaining child support. Tests indicate that this and similar management improvements increase the priority custodial parent's place on obtaining child support, and help families start receiving child support more quickly.

Mr. Dwyer: In recent weeks, there have been many articles in the paper about "boarder babies." Will CSE become involved in efforts to locate these parents?

Ms. Thomas: Boarder babies that are eligible for AFDC benefits will automatically be included in the IV-D caseload and appropriate services will be provided.

FINANCIAL ASSISTANCE FOR PUERTO RICO

Mr. Dwyer: The Administration is on record in support of making Puerto Rico the 51st state. In addition, pro-state supporters are holding rallies in Puerto Rico.

In light of recent developments, why has the Administration proposed a new program to replace categorical grants to Puerto Rico with a "broad-based" assistance program for Puerto Rico?

What is currently underway to complete the clean up and provide services to the citizens of Puerto Rico since the hurricane?

Ms. Thomas: The Administration believes that funding of this program will give the Commonwealth extensive flexibility to meet the needs of its low income households. Current federal involvement in completing the clean-up of hurricane damage in Puerto Rico is being handled through the Federal Emergency Management Agency.

PARTICIPATION IN JOBS-RELATED DAY CARE

Mr. Dwyer: The JOBS program is required to provide day care assistance for its participants. How many children are currently served by JOBS-related day care?

Ms. Thomas: Due to the newness of this program these data are not yet available.

SUBSTANCE ABUSE COUNSELING AND EDUCATION

Mr. Dwyer: The JOBS program requires an educational component -- high school equivalency, remedial and English language skill. Do any programs provide substance abuse counseling and education programs?

Ms. Thomas: The final regulations implementing the JOBS program provide that States may offer substance abuse counseling or treatment as a supportive service. To be covered as JOBS expenditures, such services must be specified in the State's approved Supportive Services plan and must be necessary for the individual to participate in, or prepare for, a work, education or training activity, and not be otherwise available on a non-reimbursable basis. Therefore, a State could offer substance abuse treatment in conjunction with educational activities provided under JOBS. However, at the current time we do not have any information on specific programs that do so.

CHILD SUPPORT ENFORCEMENT

Mr. Hoyer: How many absent parents are there and how many are in violation of child support enforcement orders?

Ms. Thomas: There were 11,863,755 IV-D child support cases in FY 1989. Each case represents an absent parent. The IV-D program received collections from an average of 2,101,242 cases each month. This represents 17.7% of the caseload, however, not all cases have child support orders. Data reported by 47 of the 54 states and jurisdictions that participate in the Child Support program indicate that there are 4,481,594 orders for current support of which 54.7% or 2,455,231 paid at least once during FY 1989. A recent Census Bureau survey on Child Support and Alimony found that there were over 9.4 million women in the United States as of spring of 1988 living with their own children under 21 years of age whose fathers were not living in the household. 59% of these women had child support awards and of the 5.6 million women due child support in 1987, 51% received the full amount due, 25% received partial amounts, and 24% received nothing.

Mr. Hoyer: How much of a problem is interstate flight in collecting child support?

Ms. Thomas: Interstate enforcement of child support continues to be a problem. Over 400,000 requests for assistance were sent to other states in FY 1989 by IV-D Child Support Agencies. In addition there were 842,821 cases in which collections were made by one state on behalf of a case in another state. These figures represent cases where information is known about the location of the absent parent. There are thousands of other cases where there is not enough known about the absent parent's whereabouts to request assistance.

Mr. Hoyer: How will the Administrations cost saving proposals "balance" the CSE Financing system?

Ms. Thomas: The financing of the Child Support Enforcement program, as established in Title IV-D of the Social Security Act, returns a greater share of program revenues to the States than to the Federal Government. States keep approximately half of the AFDC collections and, in addition, receive about 37 percent of the Federal share of AFDC collections as incentives. Further, the Federal Government pays a minimum of 66 percent of the costs for administering the program. In FY 1991, States are expected to return to their treasuries $3.81 for every $1.00 they spend on child support enforcement. In stark contrast, OCSE would return to the Federal treasury only $1.00 for every $1.77 it spends.

The Federal Government under the current financial structure does not have to lose money. But, in order for the Federal government to make money, States must operate the program at a high level of efficiency and collect large amounts of child support in AFDC cases relative to the total program expenditures. In FY 1989, the State cost effectiveness ratio for AFDC collections was $1.15 for every dollar spent.

In order to reduce Federal losses, we are proposing a new method to promote increased program efficiency and effectiveness. This proposal would mandate that State Child Support Agencies collect a dollar on behalf of AFDC families for every dollar of total Federal costs incurred to operate the program on behalf of both AFDC and Non-AFDC families.

Federal reimbursement to States could not exceed total program administrative costs unless the total amount of collections on behalf of AFDC families at least equalled total administrative costs. After FY 1991, Federal administrative matching funds for the States that do not meet this criteria would be reduced gradually to only 66 percent of administrative costs by FY 1999.

States that collect more money on behalf of AFDC families than the Federal government pays them in matching administrative funds would continue to receive 66 percent Federal Financial Participation (FFP) for regular administrative costs. This proposal will motivate States to improve their services in the collection of AFDC support payments and thereby improve the Federal financial position in the program.

Mr. Hoyer: How do the FY 91 budget requests for AFDC and CSE reflect these proposals and what would failure to implement these proposals mean to the level of service projected for FY 91 under the request?

Ms. Thomas: The FY 1991 budget requests include cost savings as follows: cost recovery and application fee - $30 million; increased program efficiency - $10 million.

These proposals will help make states more efficient in providing services and collecting child support on behalf of the IV-D caseload. Implementation of new legislation and new proposals will make states more efficient in their programs and parents more responsive to their obligation. Failure to implement these proposals will handicap the efficiency with which states provide these services.

Mr. Hoyer: Is it accurate to say that under the proposal states will lose federal funds if they do not successfully collect $1 of child support for each federally matched dollar?

Ms. Thomas: Yes, but not until 1999 at which time States will have had time to implement the Family Support Act changes, automate their procedures, and make other needed improvements. Moreover, this proposal will motivate States to improve their services in the collection of AFDC support payments. It ought to also deter states from blanketing in all child support cases in the IV-D program, in order to refinance State and local administrative costs at Federal expense. States that collect more money on behalf of AFDC families than the Federal government pays them in matching administrative funds would continue to receive 66 percent FFP for regular administrative costs.

Mr. Hoyer: Is this also the case for the federal funds used to match administration funds in the child support enforcement area?

Ms. Thomas: Yes. States with ineffective programs will lose funds.

Mr. Hoyer: Are the states anywhere near achieving this rate of success today in collecting child support for AFDC-eligible and non-AFDC eligible populations?

Ms. Thomas: Of the fifty-four States and jurisdictions that participate in the IV-D program, 8 of these states and jurisdiction in FY 1989 had cost effectiveness ratios low enough to warrant the imposition of the proposed Federal reimbursement cap.

Mr. Hoyer: If violation of a court ordered support were a federal criminal offense, who would be responsible for enforcing the statute, and how would the FSA coordinate its programs with the enforcement agency?

Ms. Thomas: Responsibility for enforcing Federal laws lies with the Justice Department. Passage of any statutes concerning Child Support would more than likely name the responsible enforcement agency.

Mr. Hoyer: Are there any obvious changes that would be necessary in the way FSA administers current programs?

Ms. Thomas: Any resulting changes to the Child Support program would be dependent upon the way the Federal statute would be enacted.

Mr. Hoyer: What are your projections for the increased use of the parent locator system which jumped 50% in 1990?

Ms. Thomas: In Fiscal Year 1989, there were over 1.9 million service requests to the Federal Parent Locator Service, with known social security numbers. This represented an 95% increase over the FY 1988 number of 993,129. There were 588,415 requests to the FPLS with unknown social security numbers in FY 1989. This represented an increase of 62% over the FY 1988 figure of 328,952. There were 2,525,628 total requests in FY 1989. We project that there will be over 3 million locate requests in FY 1990.

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

Mr. Hoyer: States transfer less than half of the permissible levels of funds from the LIHEAP Block Grant to other block grants. What are these funds used for?

Ms. Thomas: LIHEAP grantees are only required to notify the Department as to the amount of LIHEAP funds that are being transferred to specific block grant programs, not as to their specific uses. In FY 1989, the majority of funds were transferred to the Social Services Block Grant (75%) and the Community Services Block Grant (17%). For FY 1990, States expect to transfer the majority of funds again to the Social Services Block Grant (72%) and the Community Services Block Grant (18%). Upon being transferred, the LIHEAP funds can only be used as permitted under each of the block grant statutes.

Mr. Hoyer: Does the fact that since the 1970s, in Maryland, for example, the Federal share of very important social services programs has fallen from 75% to less than 35%, have anything to do with the need [for the States] to make "adjustments" [by transferring LIHEAP funds to other block grants]?

Ms. Thomas: Each year, over half of the States have transferred from $54 million to $115 million in Low Income Home Energy Assistance Program (LIHEAP) funds--between 4% and 6% of their allotments--to other HHS block grants. Each year, the Social Services Block Grant (SSBG) receives 70% to 80% of the transferred LIHEAP funds. Over 20 States a year transfer the legal maximum. SSBG appropriations have increased from $2.4 billion to $2.8 billion since the establishment of the HHS block grants in FY 1982. Grantees' decisions to transfer LIHEAP funds reflect the relative priority that they have assigned to energy assistance.

Mr. Hoyer: What is the specific justification for deleting $343 million from the program?

Ms. Thomas: A Low Income Home Energy Assistance Program (LIHEAP) appropriation of $1.05 billion represents a substantial Federal commitment to helping the truly needy. LIHEAP is not intended to meet the entire home energy costs of low income households. It is intended to supplement assistance available through programs such as Aid to Families with Dependent Children, Supplemental Security Income, and housing subsidies, as well as households' own resources.

States have available significant additional resources to use for low income home energy assistance. Oil overcharge funds which have been distributed to the States may be used for LIHEAP, or for other specified programs, in accordance with State priorities. About $300 million in overcharge funds are currently available for designation, and additional distributions will be made.

In addition, grantee funds and other HHS block grant funds may be used to supplement Federal LIHEAP funds, in accordance with grantee priorities. However, each year, a majority of States continue to transfer LIHEAP funds to other HHS block grants, indicating that they do not need their entire allotments for energy assistance.

Home energy costs generally have stabilized in recent years. Prices of bulk fuels (fuel oil, propane, etc.) increased because of the colder than normal weather in much of the country in December 1989. Since then, the weather has moderated, demand has decreased, and prices have dropped.

In recent years, the percent of income spent on home heating by LIHEAP recipient and other households generally has declined. LIHEAP assistance with heating costs continues to offset over half of the heating costs of recipient households.

Mr. Hoyer: How many clients are served through the LIHEAP program, and is it your expectation that those families no longer need the interventions made possible through the $343 million that the budget proposes to cut?

Ms. Thomas: In fiscal year 1988, States provided the following assistance under the Low Income Home Energy Assistance Program (LIHEAP):

Type of assistance	Number of households
Heating	5,827,000
Cooling	309,000
Winter/year-round crisis	982,000
Summer crisis	58,000
Weatherization	157,000

An unduplicated total of about 6.2 million households received help with heating costs through LIHEAP heating and/or winter crisis assistance in FY 1988. We are now finalizing statistics for FY 1989. These numbers will be in the FY 1989 LIHEAP annual report to Congress.

A reduction in Federal funding does not automatically result in a reduction in the number of households served. Because of the many variables involved, we cannot project future numbers of households served, benefit levels, transfers, carryover, etc. States will make decisions on these program characteristics based on factors including the LIHEAP appropriation amount, home energy costs, economic conditions, and the weather. In response to changes in these factors, States can adjust their LIHEAP eligibility standards and benefit levels, the number of households served, and the amounts transferred and carried over. In addition, they can add petroleum overcharge and State funds to increase funds available under LIHEAP.

REFUGEES

Mr. Hoyer: How many months of categorical and non-categorical cash and medical assistance are provided in FY 1990?

Ms. Thomas: During the first quarter of FY 1990, funding was provided for 24 months of categorical assistance and 12 months of non-categorical assistance for the special programs of refugee cash assistance (RCA) and refugee medical assistance (RMA). In addition, funding was provided for a refugee's months 13-24 in the U.S. if the refugee qualified under an existing State or local general assistance program. Beginning January 1, 1990, the period was reduced to 4 months for all programs other than RCA and RMA, which remain at 12 months by regulation.

Mr. Hoyer: Would you define the "Dependency Rate"?

Ms. Thomas: The dependency rate figures which ORR uses are derived by dividing the number of refugees receiving cash assistance by the time-eligible population of refugees. We use the term "time-eligible" to refer to the period of time for which full Federal funding is provided for assistance costs.

Mr. Hoyer: What is the Rate for FY 1987, FY 1988, FY 1989, FY 1990 and FY 1991?

Ms. Thomas: The dependency rates for FY 1987, 1988, and 1989 averaged 57.3%, 56.3% and 54.0%, respectively. Estimated dependency rates for FY 1990 and 1991 are 49.4% and 43.5%, respectively.

Mr. Hoyer: Would additional funds reduce the dependency rate, and if so by how much?

Ms. Thomas: We do not believe that additional funds would reduce the dependency rate.

Mr. Hoyer: Does FSA have an estimate of how much these dependency rates cost the states in welfare assistance?

Ms. Thomas: These dependency rates are associated only with the period for which full Federal funding is provided to the States for cash and medical assistance. Thus, there is no cost to the States during this period. ORR collects data and calculates dependency rates only for the period for which Federal refugee funds subsidize normal State cash and medical assistance; therefore we are not able to estimate assistance caseloads or costs that may occur after the time-eligibility period.

VOLUNTARY AGENCIES

Mr. Hoyer: What is the number of refugees resettled by the voluntary agencies in FY 89, FY 90 and FY 91?

Ms. Thomas: The estimated numbers of refugees being resettled under the voluntary agency matching-grant program are: 16,518 in FY 1989 and 41,800 each year in FY 1990 and 1991. In FY 1989, several thousand more refugees were served in the same manner although additional Federal matching-grant funds were not available; costs associated with these additional refugees will be addressed with the $14,936,000 available to the Office of Refugee Resettlement under the FY 1990 Foreign Operations Appropriations Act.

Mr. Hoyer: Do you have an estimate of the dollars spent by the voluntary agencies over and above the funds which have been matched by the Federal Government to resettle refugees over the past few years?

Ms. Thomas: No, the voluntary agencies are required to show a match equal to the Federal matching grant funding and do not generally attempt to show all of their funding.

OFFICE OF REFUGEE RESETTLEMENT

Mr. Porter: Last year, we debated the merits of reducing refugee cash and medical reimbursement assistance to 15 months. You defended this policy change in a number of ways I considered questionable. Now that we are down to 4 months, can I have for the record your position as to whether it is the Department's policy to support only 4 months of reimbursement.

Ms. Thomas: We reduced the funding period for categorical assistance to a refugee's first 4 months in the U.S. effective January 1, 1990, because that was our best estimate of the duration of funding that could be provided with the FY 1990 appropriation of $210 million for cash and medical assistance. Our request for FY 1991 is exactly the same for all refugee program budget activities as the Congressional appropriation for FY 1990. We estimate that the 1991 request will also allow for about 4 months' funding for categorical assistance. It could be a little more or a little less, depending on the numbers of refugees who arrive and the degree to which they become dependent on cash assistance. Our budget policy is to propose the same amount of funds as was reflected in the 1990 appropriation for cash and medical assistance -- that is, $210 million -- although the period of assistance that it might cover could vary to some extent.

Mr. Porter: How many months of Cash and Medical reimbursement will the FY 91 request cover? What level of entrants is this assumption based on?

Ms. Thomas: We are estimating about 4 months, given the expected 110,000 arrivals.

Mr. Porter: The State Department sent up a supplemental refugee request, but HHS didn't. Can you tell me why?

Ms. Thomas: Our FY 1990 appropriation, which was enacted November 21, 1989, was based on the known number of refugee arrivals expected in FY 1990 under the President's refugee admissions ceiling. We agreed with the amount that Congress had appropriated on this basis.

Mr. Porter: Did the Family Support Administration recommend a supplemental to the Secretary? Did the Secretary recommend a supplemental to OMB ?

Ms. Thomas: Neither FSA nor the Secretary recommended a supplemental.

Mr. Porter: In the past, I've received assurances that HHS and State are working closely together to coordinate refugee budgets. Obviously this is simply not true. Do you have any interaction with the State Department? Would you please describe that interaction? Can you explain to me why your numbers and State's numbers bear no relation to one another?

Ms. Thomas: Both the FY 1990 and FY 1991 budgets were fully coordinated between HHS and the Department of State. The 1990 budget requests of both Departments were based on identical assumptions about refugee arrivals, as are the FY 1991 requests. The Director of the Office of Refugee Resettlement meets weekly with the U.S. Coordinator for Refugee Affairs and the Director of the State Department's Bureau for Refugee Programs to assure ongoing coordination.

Mr. Porter: In the past, when we've discussed refugee issues, I think we've agreed that it is not good public policy to leave refugees on the public dole without trying to actively employ them. Given this, why doesn't the Administration -- in the process of gutting Cash and Medical Assistance -- fully fund state administered programs, and voluntary agency funding?

Ms. Thomas: The number of publicly funded refugee admissions projected for FY 1991 is 110,000, very close to the 111,000 publicly funded admissions provided for in the President's refugee admissions ceiling for FY 1990. Given these figures, we believe that our 1991 budget request, which is identical to Congress' 1990 appropriation, is quite appropriate. This request will continue to fund the State-administered programs at the 1990 level and will continue to fully fund the voluntary agency matching-grant program in 1991.

JUSTIFICATION OF THE BUDGET ESTIMATES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FAMILY SUPPORT ADMINISTRATION

	1991 Estimate		Page
	FTE	Amount	Number
Family Support Payments to States	--	$ 12,657,246,000	2
Fiscal Assistance for Puerto Rico..............	--	825,000,000	46
Low Income Home Energy Assistance Program.......	--	1,050,000,000	56
Refugee and Entrant Assistance Program..................	--	368,822,000	74
Community Services Programs...	--	42,000,000	97
Payments to States for Family Support Activities.......	--	1,000,000,000	120
Immigration Assistance (SLIAG)	--	302,597,000	133
Program Administration........	1029	79,200,000	151

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Family Support Payments to States

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FAMILY SUPPORT ADMINISTRATION

Family Support Payments to States

For making payments to States or other non-Federal entities, except as otherwise provided, under titles I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act, [Section 903 of Public Law 100-628,] and the Act of July 5, 1960 (24 U.S.C. ch. 9), [$9,007,946,000] $9,657,246,000, to remain available until expended.

For making, after May 31 of the current fiscal year, payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV, and XVI of the Social Security Act, for the last three months of the current year for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary.

For making payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act and the Act of July 5, 1960 (24 U.S.C. ch. 9) for the first quarter of fiscal year [1991, $3,000,000,000] 1992, $3,300,000,000, to remain available until expended. (Department of Health and Human Services Appropriations Act, 1990.)

Language Analysis

Language Provision	Explanation
" ... to remain available until expended."	This language provides authority to use funds appropriated but not obligated in one fiscal year for obligations and expenditures in a subsequent year.
"For making, after May 31 of the current fiscal year, payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act, for the last three months of the current year for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary."	Provides that Federal matching for unanticipated increases in costs, to which States become entitled during the last 3 months of the current fiscal year, can be funded from an indefinite appropriation in the current year; it is available as necessary in addition to the regular appropriation for the current fiscal year.
"For making payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act and the Act of July 5, 1960 (24 U.S.C. ch.9) for the first quarter of fiscal year 1992, $3,300,000,000 to remain available until expended."	The language provides for an advance appropriation of funds for the first quarter of fiscal year 1992.
"...[Section 903 of Public Law 100-628,]..."	Section 903 provided authority to conduct demonstrations to test alternatives to so-called welfare hotels. This authority is not being sought in HHS in 1991. Funds for this activity are being requested by the Department of Housing and Urban Development.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
FAMILY SUPPORT PAYMENTS TO STATES

Amounts Available for Obligations

($ in thousands)

	1989 Actual	1990 Appropriation	1990 Current Estimate	1991 Estimate
Appropriation:				
Annual (definite)....	$8,204,337	$9,007,946	$9,007,946	$9,657,246
Permanent............	2,500,000	2,700,000	2,700,000	3,000,000
Annual (indefinite)..	435,863	--	2,932	--
Sequestration Order			-18,326	
Subtotal, budget authority.......	11,140,200	11,707,946	11,692,552	12,657,246
Unobligated balance, start of year........	270,682	--	69,937	55,963
Unobligated balance end of year..........	-69,937	--	-55,963	-55,963
Total obligations......	$11,340,945	$11,707,946	$11,706,526	$12,657,246

Family Support Payments to States

SUMMARY OF CHANGES

1990 Appropriation (definite)..................	$11,707,946,000
1990 Appropriation (indefinite)................	2,932,000
1990 Sequester Order...........................	-18,326,000
Total, estimated budget authority...........	$11,692,552,000
[Obligations]	[$11,706,526,000]
1991 Request...................................	$12,657,246,000
[Obligations]	[$12,657,246,000]
Net change.....................................	+$964,694,000
[Obligations]..................................	[+$950,720,000]

	1990 Current Estimate Base Budget Authority	Change from Base Budget Authority
Increases:		
A. Built-in:		
1. AFDC Payments:	$9,261,706,000	
a. Impact of cost-of-living increases in State AFDC payment standards..................		+$226,900,000
b. Increases in AFDC caseload from economic and demographic changes........		+62,100,000
c. Revised FMAP rate..........		+10,000,000
d. Financial adjustments to offset obligated unexpended balance....................		+398,320,000
e. Adjustment in unobligated balance to reduce indefinite requirement...............		+13,974,000
2. Emergency Assistance:	204,000,000	
a. Increases in costs due to changes in State plans and rising caseloads......		+10,000,000
3. Work Program Child Care......	206,000,000	+283,000,000

4. AFDC Admin. Costs:	1,504,500,000	
a. Increases due to larger caseload and inflation.....		+56,200,000
b. Increases in development of State MIS systems......		+16,200,000
5. CSE Admin. Costs:	1,059,000,000	
Increases due to greater State efforts in CSE activities and inflation...		+129,000,000
b. Increases in development of State MIS systems......		+9,000,000
6. CSE Incentive Payments:	276,000,000	
a. Increase in incentive payments due to increased collections...............		+56,000,000
B. Program:		
1. AFDC Payments:		
a. Family Support Act implementation (mandatory provisions)....		+26,000,000
2. AFDC Admin. Costs:		
a. Family Support Act implementation (mandatory provisions)...		+10,000,000
Total Increase..................		+1,306,694,000
Decreases:		
A. Built-In:		
1. Increases in the Federal share of CSE Collections......	-836,000,000	-$172,000,000
B. Program:		
1. Savings from regulations (EA)..........................	204,000,000	-35,000,000
2. Decrease due to expiration of HHS funding for welfare hotel alternatives demonstrations (Section 903 demos)......................		-20,000,000
3. Savings in AFDC State/Local Administration from replacement of IV-A work programs with JOBS...........	1,504,500,000	-115,000,000

Total Decrease..................	-$342,000,000
Net change......................	+$964,694,000

Family Support Payments to States

Budget Authority by Activity
($ in thousands)

	1989 Actual	1990 Appro.	1990 Current Estimate 1/	1991 Estimate
1. ASSISTANCE PAYMENTS				
AFDC payments..............	$9,401,772	$9,345,000	$9,674,000	$9,999,000
Payments to Territories....	15,628	16,346	16,346	16,346
Emergency Assistance.......	115,553	157,200 2/	204,000 2/	159,000
Repatriation...............	354	1,000	1,000	1,000
Work program child care....	17,242	163,000	206,000	489,000
Administrative costs.......	1,354,348	1,599,400	1,504,500	1,471,900
Regulatory Savings, Essential Persons	--	-55,000	--	--
Annual and other overgrant adjustments..............	--	--	-398,320	--
Subtotal, AFDC........	10,904,897	11,226,946	11,207,526	12,136,246
2. CHILD SUPPORT ENFORCEMENT				
Gross Federal share of collections............	-724,112	-846,000	-836,000	-1,008,000
Incentive payments to states....................	238,600	294,000	276,000	332,000
Administrative costs.......	921,560	1,033,000	1,059,000	1,197,000
Subtotal, CSE.........	436,048	481,000	499,000	521,000
Subtotal, Obligations.	11,340,945	11,707,946	11,706,526	12,657,246
Unobligated Balances:				
Beginning of Year.........	-270,682	--	-69,937	-55,963
End of Year...............	69,937	--	55,963	55,963
Total, budget authority......	$11,140,200	$11,707,946	$11,692,552 3/	$12,657,246

1/ The current FY 1990 estimates reflect adjustments for the most recent demographic and economic indicators and costs associated with implementation of the Family Support Act of 1988 (P.L. 100-485).

2/ Includes $20 million for Welfare Hotel Demonstrations authorized under Section 903 of P.L. 100-628.

3/ Includes an indefinite appropriation estimate of $2,932,000.

Family Support Payments to States
Budget Authority by Object

	1990 Appro.	1990 Current Estimate	1991 Estimate	Increase or Decrease
Grants, subsidies and contributions...	$11,707,946,000	$11,692,552,000	$12,657,246,000	+$964,694,000
Total, budget authority by object...	$11,707,946,000	$11,692,552,000	$12,657,246,000	+964,694,000
Total, obligations...	$11,707,946,000	$11,706,526,000	$12,657,246,000	+$950,720,000

Family Support Payments to States

Authorizing Legislation

	1990 Authorized	1990 Current	1991 Authorized	1991 Request
Family Support Payments: Title I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act and the Act of July 5, 1960 (Public Law 86-571).....	Indefinite 1/	$11,692,552,000	Indefinite 1/	$12,657,246,000

1/ Indefinite authority is authorized for this account; however, there are limitations on this appropriation:

a. Section 1113 of the Social Security Act provides for a limitation of $300,000 annually to repatriated U.S. nationals who return because of destitution, illness or international crisis. This limitation does not apply to U.S. nationals who return because of mental illness.

b. Section 1108(a) of the Social Security Act provides for a limitation on payment to Puerto Rico, Guam and the Virgin Islands under titles I, X, XIV, XVI, and under part A of title IV (exclusive of any amounts on account of services and items to which section 1108(b) applies). The limitations, which became permanent with the enactment of Public Law 96-272 and were amended by Section 602 of P.L. 100-485, are as follows: $82,000,000 for Puerto Rico, $2,800,000 for the Virgin Islands and $3,800,000 for Guam. Section 601 of the Family Support Act (P.L. 100-485) provides a limitation of $1,000,000 for American Samoa.

Family Support Payments to States 1/

	Estimate to Congress	Budget House Allowance	Senate Allowance	Appropriation
1986	$9,295,650,000	$9,296,650,000	$9,476,650,000	$9,930,443,000
Sequester 2/	-31,680,000			
1987	8,153,579,500	9,915,273,000	9,915,273,000	9,915,273,000
1988	10,243,668,000	11,125,000,000	11,125,000,000	11,125,000,000
1989	10,355,137,000	10,355,137,000	10,704,337,000	10,704,337,000
Indefinite				+187,683,000
1990	11,171,946,000	11,707,946,000	11,707,946,000	11,707,946,000
Indefinite				+2,932,000
Sequester 2/	-18,326,000			
1991	12,657,246,000			
1992 3/	3,300,000,000			

1/ The Family Support Payments account was established in FY 1987 with the creation of the Family Support Administration.

2/ The sequester affected OCSE only.

3/ Includes only the first quarter advance appropriation requested for FY 1992.

Child Support Enforcement Program 1/

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1983	$408,377,000	$408,377,000	$471,000,000	$471,000,000 2/
1984	406,463,000	416,463,000	607,000,000	607,000,000
1985	563,411,000	563,411,000	635,000,000	635,000,000

1/ Until FY 1986, the Child Support Enforcement appropriations included funding for program administration. Prior to FY 1983, funding for Child Support Enforcement activities was provided in the Assistance Payments appropriation.

2/ The FY 1983 appropriation includes $123,500,000 transferred from the Assistance Payments appropriation.

Assistance Payments Program 1/

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1982	$7,232,643,000	$7,422,983,000	$7,421,124,000	$7,413,884,000
1983	6,182,476,000	6,948,976,000	8,348,548,000	8,348,548,000 2/
1984	7,129,784,000	7,129,784,000	8,010,000,000	8,010,000,000 3/
1985	6,944,025,000	6,944,025,000	8,243,000,000	8,243,000,000

1/ Until FY 1986, the Assistance Payments activities included program administration in the appropriation.

2/ Excludes a transfer of $123,500,000 to the Child Support Enforcement appropriation.

3/ Includes $123,300,000 later transferred to the Food Stamp appropriation for costs associated with certification of food stamp eligibility for AFDC households.

Justification

Family Support Payments to States

($ in thousands)

	FY 1990 Current Estimate	FY 1991 Request	Increase or Decrease
Benefit Payments:			
AFDC payments............	$9,261,706	$9,999,000	+$737,294
CSE collections..........	-560,000	-676,000	-116,000
Subtotal............	8,701,706	9,323,000	+621,294
Payments to territories.....	16,346	16,346	--
Emergency assistance........	204,000 2/	159,000 3/	-45,000
Repatriation................	1,000	1,000	--
Work program child care.....	206,000	489,000	+283,000
AFDC administrative costs...	1,504,500	1,471,900	-32,600
Subtotal, AFDC.........	10,633,552	11,460,246	+826,694
CSE State & Local Administrative Costs.....	1,059,000	1,197,000	+138,000
Total, budget authority..	$11,692,552	$12,657,246 1/	+964,694
Unobligated balances, BOY	+69,937	+55,963	-13,974
Unobligated balances, EOY	-55,963	-55,963	--
Total, obligations.......	$11,706,526	$12,657,246	+$950,720

1/ Includes indefinite budget authority estimated at $2,932,000.

2/ Includes $20 million for Welfare Hotel Alternatives Demonstrations authorized under Section 903 of P.L. 100-628.

3/ Includes $35 million in projected savings from the publication of regulations to restrict the use of Emergency Assistance funds on welfare hotels.

General Statement

Family Support Payments to States supports State-administered programs of financial assistance and supportive services for low-income families to promote their abilities, economic security, and self-sufficiency. The account funds seven basic activities: Benefit payments, which pays AFDC benefits to needy families with children; Payments to territories, which pays SSI benefits to residents of Guam, Puerto Rico, the Virgin Islands, and American Samoa; Emergency Assistance; Repatriation, which loans money to American families stranded abroad who need emergency services once they are returned home; Work program child care, which provides payment for child care services to JOBS participants and for transitional child care; and State administrative expenses for AFDC, and for Child Support Enforcement.

Assistance Payments programs make grant awards available to State governments for the Federal share of activities which assist low income families in need. The largest of these programs is Aid to Families with Dependent Children (AFDC), which provides benefits to families with children deprived of parental financial support due to the death, disability, unemployment or continued absence of a parent from the home. The Child Support Enforcement (CSE) program similarly helps families by locating absent parents, establishing paternity and enforcing support obligations to insure that children are financially supported by both parents. The Federal share of child support collections on behalf of AFDC recipients offsets the costs of AFDC benefits payments. Enforcement of child support orders helps reduce or avoid a family's dependence on welfare assistance.

The AFDC programs are administered by State welfare agencies under plans developed by each State in conformity with Federal law and regulation. Standards of assistance and scope of coverage are determined by the State and are articulated in the State welfare assistance plans. These programs are financed from a combination of Federal, State and in some cases, local funds.

The CSE program was created to establish a mechanism for holding absent parents responsible for the support of their children. CSE activities include locating absent parents, establishing paternity and assuring that assistance in obtaining support is available to all children for whom such assistance is requested. CSE services are available to all families, AFDC and non-AFDC alike.

The interactions between AFDC and CSE are both monetary and non-monetary. Financially, CSE collections made on behalf of AFDC families are assigned to the government with the first $50 per month of current child support collections paid directly to the family. A portion of the Federal share of child support collections is redistributed back to the States as an incentive payment, while the remainder is used to offset Federal AFDC benefit costs.

As a matter of social policy, the CSE program strives to strengthen families by ensuring that absent parents give their children the financial support they deserve. The program is expected to reduce public expenditures for welfare by securing support from absent parents on a continuing basis and assisting non-welfare families in avoiding the need for public assistance. In many cases, income from child support payments becomes high enough -- especially when combined with employment -- to enable families to avoid or leave the AFDC rolls. In addition, the provision of medical support by absent parents helps ease the transition from welfare to independence and reduces Medicaid costs. Funds collected for non-AFDC families go directly to those families to help them remain self-sufficient and avoid the need for public assistance.

The budget estimates for AFDC and CSE reflect the open-ended nature of these programs. Both programs provide most of their funds as the Federal share of State and local administration of these programs. Both programs are sensitive to changing socio-economic and demographic characteristics of the American economy and society. The budget estimates reflect projected changes in these characteristics as reflected by such indicators as the Consumer price index, unemployment rate, number of single-headed households and program efficiency and productivity. The estimates also reflect State policies related to AFDC payment standards changes in coverage of State plans, and the implementation of legislative provisions and judicial rulings.

For FY 1991, an estimated $12,657,246,000 in budget authority will be needed for the activities in this account. Offsetting this amount are proposed savings from four legislative proposals totaling $32,400,000. These proposals, in the aggregate, reduce the amount needed for this account under proposed law to $12,624,846,000. Key proposals are described below:

--CSE Cost Recovery: States will be required to recover from both absent and custodial parents a portion of the costs incurred based on their respective abilities to pay, but only after current support obligations are satisfied. Additionally, the current $25 application fee ceiling would be replaced with an income-tested sliding fee scale for absent parents of non-AFDC families. No fees or costs would be charged to individuals with incomes below 150 percent of the poverty line. This proposal would place the cost of child support enforcement and paternity establishment services on those who benefit from them rather than on the taxpayer. Estimated savings are $30,000,000 in FY 1991.

--A More Balanced Financing Structure: This proposal would require States in FY 1991 to collect a dollar in child support on behalf of AFDC families for each dollar of matching funds the Federal government pays for child support services. Over the longer term (FY 1992 to 1999), the proposal would phase in a requirement for States to collect one dollar on behalf of AFDC families for each dollar of administrative expenses matched by the Federal government. Estimated savings are projected to be $10,000,000 in FY 1991.

--Expand Child Support services by giving the Secretary of Health and Human Services general authority to develop agreements with the heads of Federal agencies funding means-tested benefits to extend free child support services to recipients, and make pursuit of child support a condition of continued eligibility. This proposal, while resulting in savings to other Federal assistance programs, is expected to increase the Federal share of Child Support State Administrative costs by $30 million annually.

PROGRAM ACCOMPLISHMENTS

Assistance Payments

Welfare Reform
A major focus in FY 1990 and 1991 for the Family Support Administration (FSA) will continue to be implementation of the Family Support Act of 1988, P.L. 400-185. Final regulations implementing the Act's Job Opportunities and Basic Skills (JOBS) Training program were published on October 13, 1989 and others will be forthcoming. These regulations include a number of provisions affecting AFDC benefits to needy families, in addition to the provisions implementing the child care and transitional child care provisions of the statute.

To date, 27 States have implemented the JOBS program. All States are mandated to have a JOBS program in place by October 1, 1990. States are required to implement transitional child care effective April 1, 1990 and must also submit a Supportive Services plan for transitional child care and have it approved in advance of the April 1, 1990 effective date.

Repatriation
During the past year, the Office of Family Assistance developed a system to ensure the timely collection of Repatriation loans. This included clearing a backlog of several years and establishing repayment schedules for all repatriates contacted.

Child Support Enforcement

Collections
Child support payments by absent parents in 1989 totaled more than $5.3 billion, $630 million higher than in 1988. OCSE has established standards for state agency program operations, and is developing a national computerized telecommunications network, which will facilitate rapid information exchange necessary for effective interstate enforcement.

Location Activities
In FY 1989, usage of the Federal Parent Locator Service (FPLS) showed a very marked increase over prior experience. Submittals to the FPLS seeking the location of absent parents and/or their employers rose to 2.5 million, a 50 percent jump from 1988. A major expansion of Project 1099, a joint effort with the Internal Revenue Service, made employer and asset information accessible through this source. As a consequence, child support agency submittals through the Project 1099 mechanism more than tripled between FY 1988 and 1989. In general, State and local support enforcement agencies are making greater use of the FPLS and related sources.

Paternity Establishment

Emphasis on improved coordination of the AFDC and Child Support Enforcement programs is underway. Improvement is needed to establish paternity for more than the 3.5 million children now receiving AFDC who were born out ofawedlock. Each year, 800,000 AFDC children are born out of wedlock, yet paternity was established for only about 330,000 in FY 1989.

Coordination with AFDC

Improving the coordination between welfare agencies and child support agencies will increase the efficiency of providing child support services, increase collections for families, and reduce families' need for public assistance. Efforts to obtain child support on behalf of AFDC and Medicaid clients are often hampered by inadequate information on the absent parent and the failure of clients to meet scheduled appointments and hearings. Regulations will be issued that assign to child support professionals, rather than public assistance intake interviewers, responsibility for evaluating client cooperation in obtaining child support. Tests indicate that this and similar management improvements increase the priority custodial parent's place on obtaining child support, and help families start receiving child support more quickly.

MANAGEMENT SAVINGS

The Family Support Administration has an ongoing Productivity Improvement Project in the Child Support Enforcement Program. This project is designed to improve program effectiveness while maintaining current levels of federal outputs.

FSA's Office of Child Support Enforcement is involved in a Productivity Improvement Project designed to improve the effectiveness of the Child Support Enforcement program. The best indicator of this effectiveness is how quickly families get the child support services they need. HHS is working on ways to measure timeliness of services. A second indicator is increases in collections for AFDC families, since all AFDC collections go through the IV-D systems. AFDC collections were $1.7 billion in FY 1989, an 8% increase over FY 1988. Total collections - AFDC and non-AFDC are estimated at 5.3 billion in 1989 - an increase of roughly 14% over 1988.

Aid to Families with Dependent Children (AFDC)

Authorizing Legislation: Titles I, IV-A and -D, X, XI, XIV and XVI of the Social Security Act and the Act of July 5, 1960 (24 U.S.C. ch.9).

($ in thousands)

	1990 Appro.	1990 Current Estimate	Increase or Decrease	1991 Estimate	Increase or Decrease
Benefit Payments					
AFDC payments	$9,345,000	$9,261,706	-$83,294	$9,999,000	+$737,294
CSE collections	-552,000	-560,000	-8,000	-676,000	-116,000
Subtotal	8,793,000	8,701,706	-91,294	9,323,000	+621,294
Payments to territories	16,346	16,346	--	16,346	--
Emergency assistance	157,200	204,000	+46,800	159,000	-45,000
Repatriation	1,000	1,000	--	1,000	--
Work program child care	163,000	206,000	+43,000	489,000	+283,000
AFDC administrative costs	1,599,400	1,504,500	-94,900	1,471,900	-32,600
Regulatory savings, essential persons	-55,000	--	+55,000	--	
Total, budget authority	$10,674,946	$10,633,552	-$41,394	$11,460,246	+$826,694
Unobligated balances:					
Beginning of Year	--	69,937	+69,937	55,963	-13,974
End of Year		-55,963	-55,963	-55,963	
Total, obligations	$10,674,946	$10,647,526	-$27,420	$11,460,246	+$812,720

PURPOSE AND METHOD OF OPERATION

Aid to Families with Dependent Children

The AFDC program provides funds to State and local government for diverse activities related to public assistance for the needy. A significant activity is the provision of financing for the Federal share of both benefits and administrative costs for the AFDC program. AFDC basic benefits are for needy children deprived of parental support by the death, disability, or continued absence of a parent from the home. AFDC-Unemployed Parent (AFDC-UP) benefits are provided to serve families with needy children who are deprived of support due to the unemployment of the principal wage earner. The Family Support Act requires all States to have an AFDC-UP program in place by the beginning of FY 1991.

The AFDC program is administered by State and local welfare agencies under plans developed by each State in accordance with Federal statutes and regulations. Each State determines need and payment standards and scope of coverage. The program is jointly funded by Federal, State, and, in some cases, local governments. The Federal government covers, on average, almost 55% of benefit payment costs, approximately 50% of administrative costs, and 90% of costs associated with the development of computerized systems (FAMIS).

Payments to Territories

The maintenance assistance programs for the aged, blind and disabled were federalized under Title XVI of the Social Security Act as the Supplemental Security Income program on January 1, 1974. A small residual program, however, remains for the residents of Puerto Rico, Guam, the Virgin Islands and American Samoa. Grants to these U.S territories are subject to an overall spending limitation under Section 1108 of the Social Security Act.

Emergency Assistance

This optional program was established to provide financial assistance and/or social services to needy families with children to meet temporary emergency needs. Assistance may be in the form of cash, or in-kind items such as food, clothing, rent, utilities, or medical care provided or paid for by the administering agency. The Federal government shares 50% of these costs with the States.

Repatriation

This program provides assistance to U.S. citizens returning from foreign countries who have been certified by the Department of State to be destitute or ill (including mental illness). Individuals receiving assistance are expected to repay (subject to waivers for inability to pay) the cost of such assistance. To ensure that repatriates pay back their outstanding loans, FSA has developed an automated debt collection system in coordination with the Public Health Service (PHS) in order to effect more timely repayment.

Work Program Child Care

The Family Support Act of 1988 (P.L. 100-485) authorized funding for three types of child care-related activities, for which funding is requested under the Work Program Child Care activity These are: (1) child care for JOBS participants --The statute requires States to guarantee child care for participants in JOBS activities and employed individuals; (2) transitional child care -- States must provide 12 months of transitional child care to former JOBS participants who leave the AFDC rolls as a result of increased earnings or higher income; and, (3) child care licensing grants -- In FY 1990 and 1991, $13 million is available for grants to States for the purpose of improving child care licensing and registration procedures and for monitoring child care provided to AFDC children.

States have wide flexibility in determining the operational mechanisms for providing and financing child care services.

State and Local Administration

Under current law, Federal grants provide open-ended financing at a 50 percent matching rate for State and local administrative and training costs related to the administration of Assistance Payments programs. In addition, States are reimbursed for 75 percent for costs incurred in the establishment and implementation of fraud prevention programs, and for 100 percent of the verification costs associated with the determination of immigration status. Respective shares in the funding of these programs are determined by cost allocation plans proposed and approved pursuant to OMB and HHS regulations. Activities include State and local administrative expenses in support of the determination of eligibility for assistance, case maintenance, and AFDC quality control reviews. In addition, Federal grants provide 90 percent of the costs of planning, design, development, and operation of Statewide automatic data processing systems approved by the Family Assistance Management Information System (FAMIS).

RATIONALE FOR BUDGET REQUEST

A. Key Economic Assumptions -- The estimates for the preceding programs are based on the following economic assumptions:

1. Unemployment Rate -- A decline is projected in the unemployment rate for FY 1991.

Fiscal Year	Unemployment Rate
1989	5.2%
1990	5.4%
1991	5.3%

2. Consumer Price Index -- During the forecast period, State agencies are expected to raise AFDC benefit standards reflecting, in part, the effects of past and prospective increases in consumer prices and living costs.

Calendar Year	CPI	Change
1989	122.55	4.8%
1990	127.34	3.9%
1991	132.49	4.0%

3. Demographics -- Continuing growth is expected in the number of single-parent families. This growth has a direct impact on the number of AFDC households and will more than offset the impact on the caseload of the decreasing unemployment rate.

Calendar Year	Singe-Parent Families	Increase
1989	10,807,000	83,000
1990	11,002,000	195,000
1991	11,192,000	190,000

The AFDC caseload is expected to rise, reflecting the related increase in participation of low-income single-parent families on AFDC:

Calendar Year	AFDC Average Monthly Cases	Increase
1989	3,762,000	+22,000
1990	3,808,000	+46,000
1991	3,864,000	+56,000

B. Welfare Reform -- Major emphasis will be placed on continued implementation of the Family Support Act of 1988 (P.L. 100-485). The legislation will increase payments to States participating in family support activities - resulting from mandatory programs to provide AFDC coverage for eligible two-parent families with an unemployed earner and expanded federal funding for supportive child care services which will add to program costs in FY 1991. Principal cost increases associated with these activities in FY 1991 are:

AFDC Benefit Payments......................	+$26,000,000
Work Activities/Child Care....................	+$283,000,000

C. Recovery of Erroneous Payments -- The Omnibus Budget Reconciliation Act of 1989 (P.L.101-239) established new criteria for promoting the efficiency and integrity of the AFDC program. Proposed State payments owed for excess error rate liabilities incurred prior to FY 1991 have been waived and penalties in the future are to be assessed against an error rate standard based on the national average (or 4 percent, whichever is higher). The FY 1991 budget assumes that the collection of error rate liabilities - as provided in the legislation - will begin in FY 1993 for liabilities incurred in FY 1991.

($ in millions)

Year	Rate	Error Amount	Collections Estimate as budgeted
1991	5.1%	$23.4	---
1992	4.9%	23.1	---
1993	4.7%	22.6	$ 5.8
1994	4.6%	22.5	17.4
1995	4.5%	22.6	23.1

D. Key Program Assumptions:

	FY 1989	FY 1990	FY 1991
Average Monthly Cases (thous.)....	3,762	3,808	3,864
AFDC-Basic....................	3,570	3,611	3,629
AFDC-Unemployed Parent (UP)...	192	197	235
Average Monthly Recipient (thous.)	10,911	11,038	11,195
AFDC-Basic....................	10,056	10,168	10,214
AFDC-UP.......................	854	870	981
Average Recipients Per Case.......	2.9	2.9	2.9
AFDC-Basic....................	2.8	2.8	2.8
AFDC-UP.......................	4.5	4.4	4.2

Average Monthly Payment Per Case..	378.53	386.17	392.69
AFDC-Basic....................	368.57	376.26	383.15
AFDC-UP.......................	563.87	567.68	540.07
Average Monthly Payment/ Recipient	130.53	133.22	135.54
AFDC-Basic....................	130.84	133.62	136.13
AFDC-UP.......................	126.70	128.60	129.36

REVISIONS TO THE FY 1990 BUDGET

Benefit Payments (-$91,294,000): The benefit payments activity consists of two components: AFDC payments and child support collections. The decrease in the category is attributable to benefits realized by the implementation of the provisions of the Family Support Act of 1988. The decrease in AFDC payments is partially offset by an increase in child support collections. The net effect is a decrease in this activity.

Emergency Assistance (+$46,800,000): The increase in emergency assistance reflects a continuing rise in caseload and benefit payments.

Work Program Child Care (+43,000,000): This activity both supports child care necessary for recipients to participate in JOBS work and training activities and transitional child care benefits for up to 12 months after former recipients have left the rolls due to increased income from employment. This increase in FY 1990 both reflects additional States coming into JOBS, and the beginning of transitional child care benefits in April, 1990.

Administrative Costs (-$94,900,000): The total decrease in State and local administration costs reflects a lower State expenditure rate than was originally projected for the FY 1990 budget.

Child Support Enforcement (CSE)

Authorizing legislation: Title IV-D of the Social Security Act.

($ in thousands)

	1990 Appro.	1990 Estimate	Increase or Decrease	1991 Estimate	Increase or Decrease
CSE administrative costs	$1,033,000	$1,059,000	+$26,000	$1,197,000	+$138,000
Total, budget authority	$1,033,000	$1,059,000	+$26,000	$1,197,000	+$138,000

Purpose and Method of Operation

The child support enforcement program is a Federal/State effort to ensure that children are supported financially by their parents, to foster family responsibility, and to reduce the cost of welfare to the taxpayer. All parents with custody of their minor children who need or are owed child support can get help from their local CSE agency. These agencies locate absent parents, establish paternity when necessary, and establish and enforce legal orders for support.

The interaction between AFDC and CSE has both financial and non-financial importance for recipients. Financially, child support collections made on behalf of AFDC families are assigned to the appropriate State government. The AFDC family receives up to $50 of each month's current child support payment collected in addition to the AFDC payment. A portion of the Federal share of child support collections is redistributed back to the States as an incentive payment.

Additionally, the program strives to reduce welfare spending and strengthen families by helping children get the support they deserve from absent parents. The program is expected to reduce combined State and Federal public expenditures for welfare by securing support from absent parents on a consistent and continuing basis, and aiding non-welfare families to avoid the need for public assistance.

The Federal government provides funding in three ways. It provides 66% matching for general State administrative costs, 90% matching for paternity testing and Statewide computer systems, and substantial "incentive" payments based on program efficiency and effectiveness.

Rational for Budget Request

A. CSE program costs rise when States increase the proportion of cases with collections and reduce the amount of time it takes to establish and enforce child support orders. Increases in State operating costs and higher Federal incentive payments add to rising Federal outlays.

B. The Child Support estimates include both costs and savings in FY 1991 related to provisions of the Family Support Act of 1988 (P.L. 100-485).

($ in millions)

	1989	1990	1991	Change 90-91
Total Collections Dist.:				
AFDC Related Collections.	$1,595	$1,827	$2,187	+$360
Non-AFDC Collections.....	3,660	4,038	4,596	+558
Total Collections......	$5,255	$5,865	$6,783	+$918
AFDC Related Collections:				
AFDC Families..........	$307	$347	$411	+$64
St. Share + Incentives.	803	920	1,100	+180
Net Federal Share......	485	560	676	+116
Subtotal............	$1,595	$1,827	$2,187	+$360
Admin. Costs (Oblig):				
State Share............	$434	$548	$585	+$37
Federal Share..........	956	1,059	1,197	+138
Total...............	$1,390	$1,608	$1,782	+$175
Net Program Savings (Col):				
Net State Savings......	-$369	-$372	-$515	+$143
Net Federal Costs......	471	499	521	-22
Net Savings to Taxpayer.........	-$102	-$127	-$6	+$121

In the aggregate, this program is cost effective. In 1991, for example, total collections of $3.77 are projected for every dollar spent. However, in FY 1989, for the first time since the program's inception, the costs of operating the program exceeded the revenue generated resulting in a net cost to the taxpayer. Although the overall net negative saving is expected to continue through FY 1991, net positive savings are expected to accrue to the taxpayer in later years.

FY 1990 Current Estimate

CSE administrative costs (+$138,000,000) -- The increase in child support State and local administration costs reflects increases in cost-of-living adjustments to State and local payrolls and an increased emphasis by States in improving their enforcement performance by increasing staff resources, developing computer support networks, and vigorous implementation of the tools provided by the Child Support Amendments of 1984.

Assistance Payments
Federal Share of Grant Award Obligations
Fiscal Year 1989

State and local Jurisdictions	Aid to Families with Dependent 1/ Children	Emergency Assistance	State and Local Administration and Training	Total
Alabama	$ 36,252,964	$ 0	$ 9,820,840	$ 46,073,804
Alaska	25,619,472	0	3,641,316	29,260,788
Arizona	73,226,651	0	5,744,511	78,971,162
Arkansas	37,079,602	0	5,208,630	42,288,232
California	2,150,632,083	822,548	235,625,342	2,387,079,973
Colorado	61,838,685	0	8,904,382	70,743,067
Connecticut	106,555,804	0	22,659,199	129,215,003
Delaware	10,951,353	99,260	4,075,816	15,126,429
Dist. of Col.	37,707,612	1,870,152	12,515,469	52,093,233
Florida	187,753,924	3,542,392	52,981,793	244,278,109
Georgia	176,334,733	2,421,084	30,385,797	209,141,614
Guam	3,078,433	0	178,466	3,256,899
Hawaii	45,682,987	0	2,487,957	48,170,944
Idaho	10,428,355	0	2,499,745	12,928,100
Illinois	366,064,520	292,726	43,835,697	410,192,943
Indiana	98,809,498	0	15,411,380	114,220,878
Iowa	86,340,109	0	7,376,416	93,716,525
Kansas	53,245,095	288,941	7,411,499	60,945,535
Kentucky	99,946,971	0	10,891,555	110,838,526
Louisiana	126,665,162	0	10,623,582	137,288,744
Maine	52,578,148	465,400	4,936,546	57,980,094
Maryland	126,945,604	2,234,709	19,604,455	148,784,768
Massachusetts	280,555,178	23,114,320	45,911,914	349,581,412
Michigan	629,594,643	9,019,259	75,451,826	714,065,728
Minnesota	173,036,743	5,224,855	22,599,352	200,860,950
Mississippi	62,778,279	0	5,682,919	68,461,198
Missouri	116,999,964	0	13,494,509	130,494,473
Montana	24,115,054	132,003	1,923,495	26,170,552
Nebraska	29,581,529	493,931	4,560,610	34,636,070
Nevada	12,097,696	20,585	2,804,256	14,922,537

Assistance Payments
Federal Share of Grant Award Obligations
Fiscal Year 1989

State and local Jurisdictions	Aid to Families with Dependent 1/ Children	Emergency Assistance	State and Local Administration and Training	Total
New Hampshire	10,921,690	0	2,429,277	13,350,967
New Jersey	199,572,752	26,083,981	67,843,455	293,500,188
New Mexico	38,623,180	0	4,777,952	43,401,132
New York	1,033,200,456	25,350,000	220,655,772	1,279,206,228
North Carolina	131,710,070	1,883,497	23,571,556	157,165,123
North Dakota	14,807,787	0	1,554,943	16,362,730
Ohio	465,830,252	3,623,805	58,641,320	528,095,377
Oklahoma	80,894,704	2,001,128	16,264,998	99,160,830
Oregon	84,001,946	2,468,757	22,207,628	108,678,331
Pennsylvania	392,828,793	67,605	72,033,406	464,929,804
Puerto Rico	73,456,403	195,583	8,472,057	82,124,043
Rhode Island	43,997,158	0	6,658,636	50,565,794
South Carolina	62,107,342	0	13,857,047	75,964,389
South Dakota	13,248,697	0	1,945,393	15,194,090
Tennessee	94,379,983	0	15,309,471	109,689,454
Texas	202,145,292	0	37,775,481	239,920,773
Utah	37,222,852	0	6,870,610	44,093,462
Vermont	23,573,136	506,733	3,411,580	27,491,449
Virgin Islands	2,205,503	10,502	396,567	2,612,572
Virginia	70,663,510	45,306	20,141,136	90,849,952
Washington	191,767,179	755,401	34,106,507	226,920,773
West Virginia	79,959,844	621,913	3,871,105	84,452,862
Wisconsin	229,113,043	1,600,235	25,210,536	255,923,814
Wyoming	11,387,479	296,650	2,071,821	13,755,950
Subtotal	$8,890,115,902	$ 115,553,261	$1,359,237,528	$10,364,906,691
Repatriation				353,885
Adjustments 2/				54,124,424
Total Obligations				10,419,385,000

1/ AFDC payments are net of Child Support Enforcement Collections.

2/ Adjustments include payments for Work Programs (JOBS) and other financial adjustments.

Assistance Payments
Federal Share, Fiscal Year 1990

State and local Jurisdictions	Aid to Families with Dependent 1/ Children	Emergency Assistance	State and Local Administration and Training	Total
Alabama	$ 43,549,000	$ 0	$ 10,969,000	$ 54,518,000
Alaska	29,244,000	0	3,893,000	33,137,000
Arizona	82,011,000	0	5,949,000	87,960,000
Arkansas	42,828,000	0	6,559,000	49,387,000
California	2,319,505,000	7,367,000	265,300,000	2,592,172,000
Colorado	72,316,000	0	11,207,000	83,523,000
Connecticut	128,117,000	0	13,975,000	142,092,000
Delaware	12,963,000	135,000	3,364,000	16,732,000
Dist. of Col.	41,060,000	3,264,000	17,019,000	61,343,000
Florida	220,173,000	4,500,000	51,592,000	276,265,000
Georgia	194,680,000	276,000	31,892,000	229,848,000
Guam	2,937,000	703,000	356,000	3,996,000
Hawaii	52,315,000	0	3,938,000	56,253,000
Idaho	14,075,000	0	3,625,000	17,700,000
Illinois	389,259,000	400,000	45,267,000	434,926,000
Indiana	110,522,000	0	16,274,000	126,796,000
Iowa	89,371,000	0	7,502,000	96,873,000
Kansas	60,899,000	239,000	7,348,000	68,486,000
Kentucky	130,114,000	0	1,193,000	131,307,000
Louisiana	145,664,000	0	12,048,000	157,712,000
Maine	57,803,000	750,000	5,539,000	64,092,000
Maryland	140,567,000	2,411,000	18,394,000	161,372,000
Massachusetts	336,280,000	29,003,000	39,718,000	405,001,000
Michigan	684,862,000	12,250,000	80,089,000	777,201,000
Minnesota	179,841,000	5,470,000	39,713,000	225,024,000
Mississippi	68,430,000	0	6,242,000	74,672,000
Missouri	132,430,000	0	13,504,000	145,934,000
Montana	27,422,000	138,000	5,423,000	32,938,000
Nebraska	34,871,000	617,000	4,460,000	39,948,000
Nevada	13,442,000	61,000	2,866,000	16,369,000

Assistance Payments
Federal Share, Fiscal Year 1990

State and local Jurisdictions	Aid to Families with Dependent Children 1/	Emergency Assistance	State and Local Administration and Training	Total
New Hampshire	13,209,000	— 0	3,416,000	16,625,000
New Jersey	230,561,000	23,750,000	64,150,000	318,461,000
New Mexico	40,390,000	0	6,508,000	46,898,000
New York	1,137,826,000	58,389,000	228,514,000	1,424,729,000
North Carolina	154,518,000	2,769,000	24,510,000	181,797,000
North Dakota	17,250,000	0	2,169,000	19,419,000
Ohio	477,051,000	3,792,000	58,819,000	539,662,000
Oklahoma	89,825,000	1,903,000	19,551,000	111,279,000
Oregon	92,892,000	2,196,000	21,914,000	117,002,000
Pennsylvania	434,207,000	2,637,000	74,055,000	510,899,000
Puerto Rico	55,162,000	112,000	4,867,000	60,141,000
Rhode Island	50,959,000	0	5,240,000	56,199,000
South Carolina	65,260,000	0	10,509,000	75,769,000
South Dakota	15,479,000	0	2,132,000	17,611,000
Tennessee	110,138,000	0	17,106,000	127,244,000
Texas	217,164,000	0	36,473,000	253,637,000
Utah	53,440,000	0	5,785,000	59,225,000
Vermont	27,840,000	600,000	3,524,000	31,964,000
Virgin Islands	2,594,000	4,000	180,000	2,778,000
Virginia	84,445,000	40,000	25,537,000	110,022,000
Washington	237,597,000	923,000	31,936,000	270,456,000
West Virginia	86,197,000	655,000	3,127,000	89,979,000
Wisconsin	291,422,000	1,435,000	20,580,000	313,437,000
Wyoming	14,299,000	400,000	1,916,000	16,615,000
Subtotal	$9,857,275,000	$ 170,189,000	$1,408,006,000	$11,435,470,000
Repatriation				1,000,000
Payments to Territories				16,346,000
CSE Collections				-560,000,000
Adjustments 1/				-245,289,000
Total, Budget Authority				10,647,527,000

1/ Amounts listed by state reflect estimates submitted by the states. These estimates have been adjusted to reflect expected national economic trends.

Assistance Payments
Federal Share, Fiscal Year 1991

State and local Jurisdictions	Aid to Families with Dependent 1/ Children	Emergency Assistance	State and Local Administration and Training	Total
Alabama	$ 43,560,000	$ 0	$ 11,065,000	$ 54,625,000
Alaska	35,487,000	0	8,114,000	43,601,000
Arizona	97,642,000	0	8,980,000	106,622,000
Arkansas	47,686,000	571,000	10,888,000	59,145,000
California	2,319,505,000	7,635,000	266,769,000	2,593,909,000
Colorado	81,794,000	0	11,556,000	93,350,000
Connecticut	132,873,000	0	14,604,000	147,477,000
Delaware	13,014,000	140,000	3,264,000	16,855,000
Dist. of Col.	41,060,000	3,264,000	19,146,000	63,470,000
Florida	258,430,000	4,500,000	49,416,000	312,346,000
Georgia	225,890,000	3,153,000	33,452,000	262,495,000
Guam	2,937,000	703,000	356,000	3,996,000
Hawaii	56,580,000	0	4,112,000	60,692,000
Idaho	15,775,000	0	3,481,000	19,256,000
Illinois	389,259,000	400,000	45,267,000	434,926,000
Indiana	134,477,000	0	17,935,000	152,412,000
Iowa	92,599,000	0	7,907,000	100,506,000
Kansas	63,946,000	250,000	7,046,000	71,242,000
Kentucky	140,281,000	0	5,397,000	145,678,000
Louisiana	159,915,000	0	46,600,000	206,515,000
Maine	57,415,000	750,000	5,788,000	63,953,000
Maryland	147,738,000	2,411,000	21,513,000	171,662,000
Massachusetts	371,462,000	34,200,000	41,227,000	446,880,000
Michigan	703,156,000	13,500,000	86,563,000	803,219,000
Minnesota	183,192,000	6,002,000	49,574,000	238,768,000
Mississippi	78,537,000	0	6,242,000	84,779,000
Missouri	138,120,000	0	13,966,000	152,086,000
Montana	28,379,000	138,000	5,187,000	33,704,000
Nebraska	36,152,000	644,000	4,570,000	41,366,000
Nevada	14,876,000	62,000	3,114,000	18,052,000

Assistance Payments
Federal Share, Fiscal Year 1991

State and local Jurisdictions	Aid to Families with Dependent 1/ Children	Emergency Assistance	State and Local Administration and Training	Total
New Hampshire	13,209,000	0	4,015,000	17,224,000
New Jersey	248,680,000	24,000,000	67,300,000	339,980,000
New Mexico	57,512,000	0	9,163,000	66,675,000
New York	1,195,248,000	61,506,000	240,958,000	1,497,712,000
North Carolina	158,603,000	2,769,000	28,197,000	189,569,000
North Dakota	21,397,000	0	2,176,000	23,573,000
Ohio	464,604,000	4,570,000	54,404,000	523,578,000
Oklahoma	96,166,000	1,978,000	19,631,000	117,775,000
Oregon	106,659,000	2,458,000	27,978,000	137,095,000
Pennsylvania	410,085,000	2,637,000	73,354,000	486,076,000
Puerto Rico	55,162,000	112,000	4,867,000	60,141,000
Rhode Island	51,590,000	0	4,536,000	56,126,000
South Carolina	65,501,000	0	10,773,000	76,274,000
South Dakota	18,461,000	0	2,167,000	20,628,000
Tennessee	127,199,000	0	18,171,000	145,370,000
Texas	268,181,000	0	43,272,000	311,453,000
Utah	56,896,000	0	6,155,000	63,051,000
Vermont	29,145,000	600,000	4,763,000	34,508,000
Virgin Islands	2,594,000	4,000	180,000	2,778,000
Virginia	84,000,000	40,000	28,326,000	112,366,000
Washington	246,717,000	922,000	33,335,000	280,974,000
West Virginia	86,620,000	700,000	3,919,000	91,239,000
Wisconsin	295,715,000	1,464,000	21,042,000	318,221,000
Wyoming	17,255,000	400,000	2,024,000	19,679,000
Subtotal	$10,288,936,000	$182,483,000	$1,524,242,000	$11,995,661,000
Repatriation				1,000,000
Payments to Territories				16,346,000
CSE Collections				-676,000,000
Adjustments 1/				123,239,000
Total, Budget Authority				$11,460,246,000

1/ Amounts listed by state reflect estimates submitted by the states. These estimates have been adjusted to reflect expected national economic trends.

Child Support Enforcement
Federal Share of State and Local Administrative Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
Alabama	$ 16,913,459	$ 15,238,000	$ 13,151,000
Alaska	4,089,450	4,458,000	4,544,000
Arizona	9,766,997	19,139,000	22,427,000
Arkansas	5,114,657	4,832,000	4,878,000
California	119,040,305	121,436,000	126,776,000
Colorado	10,542,551	10,997,000	11,106,000
Connecticut	15,696,780	19,820,000	18,618,000
Delaware	3,528,520	4,409,000	4,531,000
Dist. of Col.	4,883,900	4,868,000	6,212,000
Florida	36,538,258	48,831,000	50,611,000
Georgia	18,564,451	26,621,000	28,453,000
Guam	455,244	808,000	808,000
Hawaii	2,716,857	4,112,000	4,348,000
Idaho	3,686,695	3,490,000	4,095,000
Illinois	30,743,904	38,840,000	38,840,000
Indiana	9,372,365	9,205,000	14,841,000
Iowa	7,663,193	7,870,000	8,656,000
Kansas	10,623,628	13,106,000	13,894,000
Kentucky	13,501,164	18,083,000	17,807,000
Louisiana	12,150,426	17,869,000	21,549,000
Maine	5,037,070	5,781,000	7,031,000
Maryland	21,954,141	28,136,000	33,040,000
Massachusetts	29,768,411	35,978,000	41,453,000
Michigan	44,428,899	51,356,000	53,904,000
Minnesota	22,596,999	26,525,000	26,640,000
Mississippi	6,899,260	11,280,000	12,690,000
Missouri	16,525,925	17,205,000	20,352,000
Montana	1,236,491	2,425,000	3,199,000
Nebraska	6,155,644	8,898,000	7,203,000
Nevada	4,057,146	4,537,000	4,753,000
New Hampshire	3,359,092	3,173,000	3,472,000
New Jersey	48,132,178	48,840,000	52,800,000
New Mexico	4,556,712	6,615,000	5,099,000
New York	91,904,695	92,520,000	95,139,000
North Carolina	21,403,826	21,564,000	23,410,000

Child Support Enforcement
Federal Share of State and Local Administrative Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
North Dakota	1,783,879	1,823,000	1,974,000
Ohio	35,171,659	38,986,000	50,060,000
Oklahoma	7,863,139	8,028,000	7,383,000
Oregon	13,170,972	10,927,000	11,473,000
Pennsylvania	42,794,708	48,559,000	59,024,000
Puerto Rico	3,599,216	3,916,000	3,916,000
Rhode Island	3,652,232	4,547,000	3,568,000
South Carolina	8,514,109	10,731,000	10,429,000
South Dakota	1,887,522	1,392,000	1,392,000
Tennessee	11,634,906	13,818,000	14,610,000
Texas	30,634,071	55,359,000	61,294,000
Utah	6,790,864	7,607,000	8,059,000
Vermont	1,943,595	1,721,000	1,826,000
Virgin Islands	439,504	732,000	591,000
Virginia	18,174,728	24,170,000	26,658,000
Washington	32,173,756	37,058,000	36,200,000
West Virginia	4,308,717	4,561,000	4,972,000
Wisconsin	29,362,401	23,146,000	23,444,000
Wyoming	806,903	2,883,000	3,632,000
Subtotal	$ 918,516,174	$1,058,829,000	$1,136,835,000
Adjustment 1/	+3,043,826	+171,000	+60,165,000
Total, Budget Authority	$ 921,560,000	$1,059,000,000	$1,197,000,000

1/ Amounts listed by state reflect estimates submitted by the states. These estimates have been adjusted to reflect expected national economic trends.

Child Support Enforcement
Federal Share of AFDC Collections

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
Alabama	$ 7,760,439	$ 8,012,000	$ 8,057,000
Alaska	2,068,107	1,760,000	1,864,000
Arizona	1,097,256	1,834,000	3,258,000
Arkansas	4,268,639	3,685,000	4,022,000
California	64,498,384	77,814,000	84,609,000
Colorado	4,121,633	5,311,000	6,121,000
Connecticut	8,815,847	10,219,000	10,420,000
Delaware	1,532,693	1,401,000	1,451,000
Dist. of Col.	914,004	1,280,000	1,295,000
Florida	11,147,609	14,588,000	16,606,000
Georgia	9,308,392	7,421,000	8,793,000
Guam	181,545	207,000	249,000
Hawaii	1,920,611	1,868,000	2,209,000
Idaho	2,847,464	3,302,000	3,706,000
Illinois	5,035,950	12,760,000	12,706,000
Indiana	11,736,363	11,185,000	13,160,000
Iowa	7,379,884	8,765,000	9,992,000
Kansas	3,862,158	4,472,000	7,540,000
Kentucky	8,483,377	9,977,000	10,851,000
Louisiana	6,519,384	7,890,000	8,904,000
Maine	5,016,847	4,333,000	4,538,000
Maryland	7,569,573	9,007,000	9,507,000
Massachusetts	19,166,548	21,858,000	23,428,000
Michigan	38,330,585	43,033,000	43,911,000
Minnesota	11,419,899	13,928,000	15,435,000
Mississippi	5,233,545	5,309,000	6,608,000
Missouri	10,672,159	13,915,000	15,801,000
Montana	1,792,797	1,931,000	2,106,000
Nebraska	2,448,837	2,495,000	2,618,000
Nevada	639,564	483,000	507,000
New Hampshire	675,134	969,000	1,031,000
New Jersey	13,800,365	18,106,000	18,540,000
New Mexico	1,718,728	1,760,000	2,072,000
New York	30,725,998	32,208,000	33,229,000
North Carolina	14,568,857	17,757,000	20,058,000

Child Support Enforcement
Federal Share of AFDC Collections

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
North Dakota	1,498,849	1,738,000	2,030,000
Ohio	11,486,980	24,831,000	28,060,000
Oklahoma	4,435,539	4,701,000	5,069,000
Oregon	4,998,445	5,958,000	6,100,000
Pennsylvania	28,416,439	28,401,000	30,468,000
Puerto Rico		-16,000	-23,000
Rhode Island	2,015,088	2,823,000	2,564,000
South Carolina	4,485,833	5,926,000	6,688,000
South Dakota	1,540,586	1,732,000	1,812,000
Tennessee	6,752,116	6,626,000	7,553,000
Texas	11,620,626	13,571,000	16,659,000
Utah	7,209,208	7,409,000	7,797,000
Vermont	1,973,598	1,951,000	2,027,000
Virgin Islands	40,655	88,000	92,000
Virginia	6,871,357	7,735,000	7,991,000
Washington	16,441,984	22,700,000	24,340,000
West Virginia	1,463,479	3,588,000	3,790,000
Wisconsin	16,921,470	20,066,000	20,382,000
Wyoming	352,277	980,000	1,845,000
Subtotal	$ 455,613,804	$ 541,651,000	$ 590,500,000
Adjustment 1/	+29,898,196	+18,349,000	+85,500,000
Total, Budget Authority	$ 485,512,000	$ 560,000,000	$ 676,000,000

1/ In FY 1988, some collections came in after September 30, 1988. In FY 1989 and 1990, amounts listed by state reflect estimates submitted by the states. These estimates have been adjusted to reflect expected national economic trends.

Child Support Enforcement
Ratio of Federal to State Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
Alabama	3.01	2.90	2.55
Alaska	2.88	2.55	2.57
Arizona	2.65	2.42	2.37
Arkansas	3.25	3.17	3.20
California	2.73	2.71	2.79
Colorado	3.23	2.66	2.66
Connecticut	2.73	2.60	2.41
Delaware	2.54	2.29	2.29
Dist. of Col.	2.45	2.40	2.66
Florida	2.52	2.37	2.41
Georgia	2.71	2.37	2.34
Guam	4.54	2.10	2.13
Hawaii	2.79	2.45	2.45
Idaho	2.87	2.64	2.54
Illinois	2.53	2.29	2.29
Indiana	3.97	4.09	4.59
Iowa	3.87	3.78	3.55
Kansas	2.48	2.26	2.42
Kentucky	2.71	2.80	2.44
Louisiana	2.60	2.38	2.51
Maine	3.39	3.16	3.06
Maryland	2.52	2.44	2.64
Massachusetts	2.73	2.63	2.89
Michigan	3.39	3.35	3.31
Minnesota	2.95	2.74	2.50
Mississippi	2.59	2.31	2.41
Missouri	2.79	2.67	2.56
Montana	3.62	2.67	2.62
Nebraska	2.45	2.91	2.41
Nevada	2.56	2.28	2.28
New Hampshire	2.70	2.25	2.24
New Jersey	2.57	2.29	2.28
New Mexico	2.61	2.78	2.33
New York	2.54	2.35	2.35
North Carolina	2.62	2.56	2.60

Child Support Enforcement
Ratio of Federal to State Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
North Dakota	3.06	2.77	2.83
Ohio	2.53	2.78	2.93
Oklahoma	2.77	2.60	2.43
Oregon	2.79	2.43	2.42
Pennsylvania	2.80	2.44	2.62
Puerto Rico	2.40	2.23	2.24
Rhode Island	3.45	3.66	3.39
South Carolina	2.55	2.36	2.42
South Dakota	3.31	3.73	3.79
Tennessee	2.68	2.42	2.47
Texas	2.40	2.20	2.38
Utah	2.69	2.52	2.46
Vermont	3.18	3.01	3.22
Virgin Islands	2.28	2.05	2.09
Virginia	2.62	2.30	2.43
Washington	2.65	2.45	2.55
West Virginia	2.43	2.35	2.34
Wisconsin	3.21	3.16	3.20
Wyoming	2.98	4.10	3.69

Child Support Enforcement
Ratio of AFDC Collections to Program Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
Alabama	1.01	1.29	1.53
Alaska	1.93	1.64	1.70
Arizona	0.48	0.29	0.44
Arkansas	2.11	2.75	2.97
California	1.90	2.27	2.40
Colorado	1.35	1.63	1.86
Connecticut	1.89	1.61	1.76
Delaware	1.20	1.27	1.28
Dist. of Col.	0.71	1.04	0.83
Florida	1.09	1.02	1.15
Georgia	1.30	1.35	1.42
Guam	0.62	0.57	0.69
Hawaii	1.62	1.52	1.70
Idaho	1.91	2.01	1.86
Illinois	1.23	1.30	1.30
Indiana	3.88	4.49	3.06
Iowa	3.58	3.89	3.81
Kansas	1.07	1.12	1.74
Kentucky	1.26	1.32	1.48
Louisiana	1.27	1.26	1.15
Maine	2.89	3.98	3.63
Maryland	1.17	1.27	1.14
Massachusetts	1.96	2.22	2.17
Michigan	2.82	2.92	2.88
Minnesota	1.73	1.74	1.89
Mississippi	1.35	1.14	1.27
Missouri	2.01	2.42	2.21
Montana	3.60	1.78	1.49
Nebraska	0.90	0.78	0.98
Nevada	0.79	0.72	0.73
New Hampshire	0.84	1.08	1.05
New Jersey	1.20	1.36	1.29
New Mexico	1.16	0.79	1.18
New York	1.12	1.34	1.35
North Carolina	1.64	2.26	2.40

Child Support Enforcement
Ratio of AFDC Collections to Program Costs

States and Jurisdictions	1989 Actual	1990 Estimates	1991 Estimates
North Dakota	2.26	2.58	2.69
Ohio	1.28	2.08	1.75
Oklahoma	1.22	1.38	1.57
Oregon	1.55	1.57	1.52
Pennsylvania	1.94	1.97	1.74
Puerto Rico	0.30	0.46	0.47
Rhode Island	2.44	2.21	3.08
South Carolina	1.13	1.47	1.70
South Dakota	2.12	3.75	3.86
Tennessee	1.42	1.71	1.91
Texas	1.07	0.71	0.75
Utah	1.81	1.96	1.90
Vermont	2.39	3.24	3.43
Virgin Islands	0.31	0.34	0.44
Virginia	1.00	1.11	1.04
Washington	1.64	1.85	2.07
West Virginia	0.94	1.58	1.52
Wisconsin	2.29	2.78	2.91
Wyoming	1.62	0.93	1.33

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Fiscal Assistance for Puerto Rico

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FAMILY SUPPORT ADMINISTRATION

Fiscal Assistance for Puerto Rico

For making payments to Puerto Rico for assistance for needy persons, $825,000,000; Provided, That the Commonwealth develop a plan approved by the Secretary of Health and Human Services for the current fiscal year which (1) designates the agency or agencies directly responsible for the administration, or supervision of the administration, of the program for the provision of such assistance, (2) assesses the needs of needy persons residing in the Commonwealth, (3) describes the program for the provision of such assistance, including the forms of assistance to be provided and the persons to whom such assistance will be provided, and any agencies designated to provide such assistance, and (4) such other information as the Secretary of Health and Human Services may require: Provided further, That the Commonwealth submits such plan to the Secretary of Health and Human Services at least 30 days prior to the payment of funds to the Commonwealth.

Language Analysis

Language Provision	Explanation
"For making payments to Puerto Rico for assistance for needy persons,..."	This language provides funding for a broad based assistance program for Puerto Rico.
"Provided that the Commonwealth develop a plan approved by the Secretary of Health and Human Services for..."	This provides guidelines to ensure that appropriated funds are designated for use in welfare assistance type programs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
FISCAL ASSISTANCE FOR PUERTO RICO

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation......	--	--	$825,000,000
Total Obligations....	--	--	$825,000,000

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

Fiscal Assistance for Puerto Rico

SUMMARY OF CHANGES

1990 Appropriation 1/	$ --
1991 Request	$ 825,000,000
Net change	+$825,000,000

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

	1990 Current Estimate Base Budget Authority	Change from Base Budget Authority
Increase:		
A. **Built-in:**		
1. Estimated funding to establish a broad based assistance program for Puerto Rico for FY 1991	--	+$825,000,000
Total Increase		+$825,000,000
Net Change		+$825,000,000

Fiscal Assistance for Puerto Rico

Budget Authority by Activity
(Dollars in Thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
Grants.....	--	--	$825,000
Total, budget authority 1/	--	--	$825,000

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

Fiscal Assistance for Puerto Rico

Budget Authority by Object

	1990 Appro.	1991 Estimate	Increase
Grants, subsidies and contributions....		$825,000,000	+825,000,000
Total, budget authority by object 1/............		$825,000,000	+825,000,000

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

Fiscal Assistance for Puerto Rico

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1991	$825,000,000 1/			

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

Justification

Fiscal Assistance for Puerto Rico

	1990 Estimate	1991 Estimate	Decrease
Grants 1/..........	$937,000,000	$825,000,000	-$112,000,000
Total, budget authority.	1/	$825,000,000	- 112,000,000

1/ Amounts for similar assistance to Puerto Rico were appropriated for fiscal 1989 and 1990 under the Nutrition Assistance to Puerto program in the Food and Nutrition Service, USDA.

General Statement

The Fiscal Assistance for Puerto Rico Program is a new appropriation account requested in FY 1991 to establish a broad-based assistance program for Puerto Rico. Funding this program as a grant gives the Commonwealth extensive flexibility in tailoring the program to the needs of its low income households. The fiscal assistance program replaces a similar cash assistance grant previously administered by the Department of Agriculture. The proposal of a fiscal assistance grant shifts the focus and redefines the scope of this assistance to give the Commonwealth a resource package that can be used for many social service needs.

Purpose and Method of Operation

The purpose of the Fiscal Assistance for Puerto Rico program is to establish an assistance program for the Commonwealth that offers more broadly based assistance than the categorical programs that now exist. Establishing this program in the Department of Health and Human Services will also put into one agency the administration of cash assistance programs to Puerto Rico. The integration of this program into the Family Support Administration will provide greater efficiency and reduced administrative costs for both the Federal Government and the Commonwealth of Puerto Rico. Other welfare related programs for Puerto Rico separately administered by FSA include Aid to Families with Dependent Children, Child Support Enforcement, and the JOBS program.

To receive funds Puerto Rico will be responsible for developing a plan of operation for the program which contains the following:

- designation of the agency or agency or agencies responsible for administration of the program.
- an assessment of the needs of needy persons residing in the Commonwealth.
- a comprehensive program description
- other information as requested by the Secretary of Health and Human Services.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Low Income Home Energy Assistance Program

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FAMILY SUPPORT ADMINISTRATION

Low Income Home Energy Assistance Program

For making payments under title XXVI of the Omnibus Budget Reconciliation Act of 1981, [$1,393,000,000] $1,050,000,000.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation...	$1,383,200,000	$1,393,000,000	$1,050,000,000
Total, Obligations....	$1,383,094,000	$1,393,000,000	$1,050,000,000

Summary of Changes

1990 Appropriation......................	$1,393,000,000
1991 Budget Request.....................	$1,050,000,000
Net Change..........................	-$343,000,000

	1990 Current Estimate Base Budget Authority	Change from Base Budget Authority
Decreases:		
A. Program		
1. Increased reliance on housing and programs for income support...........	$1,393,000,000	$343,000,000
Total Decrease....		$343,000,000
Net Change		-$343,000,000

Budget Authority by Activity
(Budget authority in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
Training and Technical Assistance	$ 215	$ 365	500
Program Grants	1,382,879	1,392,635	1,049,500
Unobligated balance lapsed	106	--	--
Total budget authority	$1,383,200	$1,393,000	$1,050,000

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Grants, subsidies and contributions......	$1,393,200,000	$1,050,000,000	$343,200,000
Total, budget authority by object	$1,393,200,000	$1,050,000,000	$343,200,000

Authorizing Legislation 1/
($ in thousands)

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Home Energy Assistance Activity:				
Low Income Home Energy Assistance Act of 1981 (title XXVI of the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35 as amended by the Human Services Reauthorization Act, P.L. 98-558, enacted October 30, 1984 and P.L. 99-425 enacted 9/30/86).......	$2,307,000,000	$1,393,000,000	--	$1,050,000,000
Total appropriation.	$2,307,000,000	$1,393,200,000	--	$1,050,000,000

1/ All of the amounts shown exclude Federal Administration, which has been consolidated into the FSA Program Administration budget account.

Low Income Home Energy Assistance Program
($ in thousands)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1980	$ 1,600,000	$ 1,600,000	$ 1,600,000	$ 1,600,000 1/
1981	2,200,000	1,850,000	1,850,000	1,849,500 2/
1982	1,400,000	1,800,000	1,650,000	1,875,000 3/
1983	1,300,000	1,850,000	1,850,000 4/	1,975,000 5/
1984	1,300,000	1,875,000	1,875,000	2,075,000 6/
1985	1,875,000	1,875,000	2,140,000	2,100,000
1986 7/	2,097,765	2,097,765	2,097,765	2,100,000
Sequester	-90,204			
1987	2,097,642	Deferred	1,822,265 8/	1,825,000
1988	1,237,000	1,822,265	1,237,000	1,531,840
1989	1,187,000	1,567,000	1,400,000	1,383,200
1990	1,100,000	1,400,000	1,278,654	1,393,000
1991	1,050,000			

1/ $400,000,000 was appropriated through the Community Services Administration; $1,200,000 was appropriated through the HHS.

2/ Congress originally appropriated $1,850,000,000. However, P.L. 97-12, the Supplemental Appropriations and Rescission Act of 1981, included a rescission of $500,000 from Federal administrative expenses.

3/ Includes $123,000,000 supplemental appropriation (P.L. 97-147) enacted February 15, 1982.

4/ Amount approved by Senate Committee on Appropriations.

5/ The annual amount authorized by the Second Continuing Resolution (P.L. 97-377).

6/ Includes $200,000,000 supplemental appropriation (P.L. 98-248) enacted March 30, 1984.

7/ All of the amounts shown exclude Federal Administration, which was consolidated into the Family Support Administration's Program Administration budget activity.

8/ Does not include $500,000 authorized for training and technical assistance which was transferred to FSA's Program Administration account.

Justification

Low Income Home Energy Assistance Program

	1990 Current Estimate	1991 Estimate	Increase or Decrease
Training and Technical Assistance......	$ 365,000	$ 500,000	+$ 135,000
Program Grants.....	1,392,635,000	1,049,500,000	- 343,135,000
Total budget authority...	$1,393,000,000	$1,050,000,000	-$343,000,000

Low Income Home Energy Assistance Program

General Statement

The Low Income Home Energy Assistance Program (LIHEAP) provides assistance to low income households in meeting the cost of home energy. Under this program, funds are provided through block grants to States, territories, and Indian tribes for their use in programs tailored to meet the unique home energy requirements of their jurisdictions. In recent years, energy resources available to States for low-income individuals, including petroleum overcharge funds and State and private contributions, have increased, as has State investment in weatherization.

States continue to benefit from an infusion of receipts from petroleum overcharge settlement revenues. Between 1986 and 1989, States received $2.1 billion in Exxon overcharge funds, and $1.2 billion in Stripper Well settlement funds. To date, States have designated LIHEAP as the use for $590 million of these funds. In addition, $179 million in undesignated funds still remain which can be designated for meeting low income home energy assistance needs. Although the amount is expected to decrease, additional funds over and above those already received by States are expected to be distributed to States during 1990 and 1991.

LIHEAP is not intended to pay the entire home energy costs of low income households. The Department of Housing and Urban Development will provide housing, including assistance with utilities costs, to 4.4 million low income households in 1991. Moreover, Federally matched funds are available to States through the Emergency Assistance program which can be used to provide heating supplements to the 3.9 million households receiving AFDC. In addition, Food Stamp households can deduct a portion of their housing costs including utilities from their countable income and will not have energy assistance payments considered as income in calculating their eligibility, thereby increasing their food stamp allowance by an estimated $1.5 billion per year. LIHEAP benefits are not considered as income or resources under other Federal or State benefit programs.

Program Features (as amended by title VI of the Human Services Reauthorization Act of 1984, P.L. 98-558, and title V of the Human Services Reauthorization Act of 1986, P.L. 99-425)

P.L. 98-558 established a new formula based on home energy expenditures by low income households, for allocating low income home energy assistance program funds among the States. However, because annual appropriations figures since 1986 have been below certain "trigger" levels contained in P.L. 98-558, the new formula was only used in 1985 and 1986. The old formula has been used since 1987.

Program Accomplishments

Number of Households Assisted and Average Benefit Ranges, by Type of LIHEAP Assistance, FY 1989

Type of LIHEAP Assistance	Estimated Number of Households Assisted	Estimated Average Benefit Ranges
Heating	5,585,357	$51 - $473
Cooling	164,827	56 - 248
Winter Crisis	1,025,823	67 - 240
Summer Crisis 1/	21,777	61 - 200
Weatherization	166,092	2/

1/ Includes 21 States which operated year round (i.e., 10-12 month) crisis assistance programs.

2/ Not collected. Because of the relatively larger role of labor and other support costs involved in weatherization and wide variations in how States define low-cost weatherization, estimated average benefits for weatherization are not comparable to estimated average benefits for the other types of LIHEAP assistance.

Management Improvements

During fiscal year 1990, LIHEAP program officials are sponsoring a series of round tables and conference workshops aimed at allowing grantees to discuss their effective approaches in dealing with decreased LIHEAP funding. At the conclusion of the roundtables and conference workshops, papers issued and summaries of discussions held will be published for the benefit of all grantees. Because LIHEAP is a block grant with maximum flexibility conferred upon grantees, program officials feel that this is an effective way of promoting increased program efficiencies. Past experience has shown that grantees have benefitted from such discussions. The most effective measures have been adopted by grantees in their programs, tailored to fit the needs of their constituencies.

LIHEAP has funded a clearinghouse for LIHEAP issues and will be funding such a clearinghouse again in 1990 and 1991. The organization operating the clearinghouse in 1989 also researched grantee questions on what other grantees are doing in specific areas. In addition, another organization conducted a demonstration project in which a model was developed that optimizes coordination between a state's LIHEAP payment process and its payment rules for the Percentage of Income Plan (PIP) that minimizes PIP arrearage and assures that LIHEAP assistance is targeted where it is most needed.

Program Grants

Authorizing legislation: Title XXVI of the Omnibus Budget Reconciliation Act of 1981, as amended.

	1990 Appropriation	1991 Estimate	Increase or Decrease
Budget Authority	$1,393,000,000	$1,050,000,000	-$343,000,000

Purpose and Method of Operations

This activity provides grants to States, Indian tribes and other jurisdictions to aid low income households through payments to eligible households and energy suppliers. This program assists eligible households in meeting the cost of home energy, defined by statute to include sources of residential heating and cooling.

The statute allows States to make payments to eligible households meeting the following criteria:

- -- One or more individuals receive either aid to families with dependent children, supplemental security income payments, food stamps, or certain veterans payments.
- -- The household's total income does not exceed the higher of 150 percent of poverty level of the State or 60 percent of the State median income level; since FY 1986, States have been prohibited from setting their eligibility standard below 110 percent of the poverty level.

Under the program, States are allowed flexibility in determining payment levels and types of payments, including unrestricted cash payments to vendors on behalf of eligible households, or energy vouchers. Up to 10 percent of the funds payable to a State and not transferred may be used to pay State planning and administrative costs. A grantee may transfer up to 10 percent of the funds payable to it to any of five other block grants administered by HHS. A grantee may hold up to 15 percent of the funds payable to it and not transferred for obligation in the subsequent fiscal year.

Rationale for the Budget Request

Funding totaling $1,050,000,000 is requested for the LIHEAP program in FY 1991. This is a decrease of $343,000,000 compared to the FY 1990 appropriation.

LIHEAP was a solution for a temporary problem. The surge in energy prices in 1978 and 1979 had a disproportionate effect on low income households. Between FY 1979 and FY 1989, however, the Low Income Home Energy Assistance Program (LIHEAP) has grown from $189 million to $1.6 billion.

The Department of Housing and Urban Development will help 4.5 million households pay for heat. HUD sets subsidies to limit total rent and utility costs to about 30 percent of income.

Other income maintenance programs also help meet heating needs. Open-ended Federal matching is available under the Emergency Assistance program to States which wish to provide urgently needed heating supplements to the 3.9 million households receiving AFDC. The Food Stamp program also provides indirect assistance. Households with proportionately high energy and rent costs receive an estimated $1.5 billion in additional food stamps.

States continue to receive oil overcharge funds which can be used to provide energy assistance to low income households. States are also expected to receive additional funds in FY 1990 and FY 1991, in addition to the $3.3 billion that already has been made available to the States.

States continue to transfer LIHEAP funds to other programs. In FY 1989, 29 States transferred almost 4 percent of the FY 1989 LIHEAP appropriation (40 percent of the maximum allowable) to other block grant programs. This is only marginally lower than the 4 to 5 percent transferred in FY 1985 through FY 1987. States could have transferred $285 million into LIHEAP in FY 1989, but chose not to.

The current program allows States to be flexible in several areas:

--A State may spend up to 15 percent of its funds for low cost weatherization or energy related home repairs.

--A State is allowed to reserve up to 15 percent of the funds payable to it and not transferred from LIHEAP to other HHS block grants for use in the next fiscal year.

--A State may transfer up to 10 percent of the funds payable to it to several other block grants.

--States are required to reserve a reasonable amount of their allocations until March 15 of each program year to provide energy crisis intervention services.

--A State may use up to 10 percent of the funds payable to it and not transferred from LIHEAP to other block grants to cover planning and administrative costs.

From FY 1983 to FY 1989, the number of States transferring funds and the amounts transferred from LIHEAP to other block grants are listed below:

	Amounts transferred ($ in millions)	Number of States transferring
FY 1983	$115	30
FY 1984	94	31
FY 1985	98	30
FY 1986	87	31
FY 1987	92	33
FY 1988	66	28
FY 1989	54	29

Low Income Home Energy Assistance Program

Funding Allocation by State

State	FY 1989	FY 1990	FY 1991
Alabama	$11,878,185	$11,961,067	$9,013,948
Alaska	7,582,112	7,635,017	5,753,805
Arizona	5,744,432	5,784,514	4,359,253
Arkansas	9,063,617	9,126,860	6,878,069
California	63,723,005	64,167,642	48,357,208
Colorado	22,218,226	22,373,257	16,860,651
Connecticut	28,984,459	29,186,703	21,995,315
Delaware	3,847,129	3,873,973	2,919,455
Dist. of Col.	4,501,334	4,532,743	3,415,909
Florida	18,794,836	18,925,980	14,262,758
Georgia	14,860,199	14,963,889	11,276,897
Hawaii	1,496,504	1,506,949	1,135,646
Idaho	8,666,588	8,727,061	6,576,778
Illinois	80,223,978	80,783,755	60,879,232
Indiana	36,323,163	36,576,615	27,564,406
Iowa	25,742,712	25,922,337	19,535,264
Kansas	11,822,208	11,904,700	8,971,470
Kentucky	18,902,451	19,034,347	14,344,424
Louisiana	12,143,620	12,228,355	9,215,379
Maine	18,777,308	18,908,331	14,249,458
Maryland	22,193,033	22,347,890	16,841,534
Massachusetts	57,978,517	58,383,072	43,997,913
Michigan	76,165,635	76,697,094	57,799,496
Minnesota	54,873,031	55,255,917	41,641,267
Mississippi	10,183,698	10,254,757	7,728,061
Missouri	32,044,588	32,268,186	24,317,543
Montana	10,165,358	10,236,288	7,714,142
Nebraska	12,730,759	12,819,590	9,660,938
Nevada	2,697,989	2,716,814	2,047,411
New Hampshire	10,974,151	11,050,725	8,327,907
New Jersey	53,824,036	54,199,602	40,845,219
New Mexico	7,191,630	7,241,811	5,457,482
New York	175,743,635	176,969,900	133,365,821
North Carolina	26,191,133	26,373,886	19,875,555
North Dakota	11,042,654	11,119,706	8,379,892
Ohio	70,970,100	71,465,305	53,856,781
Oklahoma	10,918,492	10,994,677	8,285,670

State	FY 1989	FY 1990	FY 1991
Oregon	17,220,064	17,340,220	13,067,718
Pennsylvania	94,400,251	95,058,944	71,637,120
Rhode Island	9,543,595	9,610,187	7,242,308
South Carolina	9,433,700	9,499,525	7,158,912
South Dakota	8,968,569	9,031,148	6,805,940
Tennessee	19,147,779	19,281,386	14,530,594
Texas	31,268,335	31,486,515	23,728,470
Utah	10,324,862	10,396,906	7,835,185
Vermont	8,225,517	8,282,912	6,242,063
Virginia	27,033,597	27,222,229	20,514,872
Washington	28,324,633	28,522,273	21,494,595
West Virginia	12,509,188	12,596,472	9,492,794
Wisconsin	49,393,608	49,738,260	37,483,119
Wyoming	4,133,848	4,162,693	3,137,036
Subtotal	$1,381,206,051	$1,390,748,982	$1,048,078,683
Territories	1,872,949	1,886,018	1,421,317
Training and Tech. Asst.	15,000	365,000	500,000
Unobligated balance laps	106,000	--	--
Total	$1,383,200,000	$1,393,000,000	$1,050,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Refugee and Entrant Assistance

FY 1991 Budget

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FAMILY SUPPORT ADMINISTRATION

Refugee and Entrant Assistance

For making payments for refugee and entrant assistance activities authorized by title IV of the Immigration and Nationality Act and section 501 of the Refugee Education Assistance Act of 1980 (Public Law 96-122), $368,822,000, of which $210,000,000 shall be available for State cash and medical assistance and State program administration.

(Department of Health and Human Services Appropriation Act, 1990)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Refugee and Entrant Assistance

Language Analysis

Language Provision	Explanation
"For making payments for refugee and entrant assistance activities pursuant to title IV of the Immigration and Nationality Act...".	The 1991 budget request is based on authority of the Refugee Act of 1980 (P.L. 96-212) enacted on March 17, 1980 and the Refugee Assistance Extension Act of 1986 (P.L. 99-605), which amend title IV of the Immigration and Nationality Act. That legislation repeals the Indochina Migration and Refugee Assistance Act of 1975, and eliminates the domestic assistance provisions of the Migration and Refugee Assistance Act of 1962. These two Acts were the previous authorities for operating the Refugee Assistance programs. Public Law 96-212 authorizes services to eligible refugees.
"...and section 501 of the Refugee Education Assistance Act of 1980 (Public Law 96-422),...".	The 1991 budget request is also based on authority of the Refugee Education Assistance Act of 1980 (P.L. 96-422), which authorizes refugee assistance services to Cuban and Haitian entrants.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
REFUGEE AND ENTRANT ASSISTANCE

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation:			
Annual..................	$382,356,000	$368,822,000	$368,822,000
Recovery of prior year obligations............	-232,000	—	—
Unobligated balance, start of year.........	-3,295,000	-3,527,000	-3,527,000
Unobligated balance, end of year............	3,527,000	3,527,000	3,527,000
Unobligated balance, lapsing................	1,875,000	—	—
Total obligations....	$380,481,000	$368,822,000	$368,822,000

Refugee and Entrant Assistance

Budget Authority by Activity
(Dollars in thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
1. State Administered Programs			
Cash/medical/ administration...	$261,820	$210,000	$210,000
Employment services.........	64,906	75,000	75,000
Subtotal, State Admin. Prog........	326,726	285,000	285,000
2. Preventive Health.....	5,770	5,770	5,770
3. Voluntary Agency Programs.............	15,808	40,000	40,000
4. Targeted Assistance...	34,052	38,052	38,052
Total Budget Authority	$382,356	$368,822	$368,822

Refugee and Entrant Assistance

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Grants, subsidies and contributions.....	$368,822,000	$368,822,000	$ -0-
Total, budget authority by object...........	$368,822,000	$368,822,000	$ -0-

Refugee and Entrant Assistance

Significant Items in House and Senate Conference Reports

Item	Action to be Taken
1989 Conference Report	
The Committee is concerned by the length of time ORR has taken to distribute targeted assistance funding to all the eligible localities. Several states and communities did not receive fiscal year 1989 funding until well into the fourth quarter. Such a delay causes great problems in program planning and operation, particularly among refugee service providers. The Committee expects the ORR to disburse targeted assistance funds in a timely manner in fiscal 1990.	The Department will publish a notice of proposed allocations early in 1990. In addition, pending determination of final allocations, ORR will provide advance funding upon application by States as has been done in previous years to assure continuity of funding.
	Action to Be Taken
Testimony submitted to the subcommittee during the fiscal year 1990 budget oversight hearings highlighted the need for greater coordination and information sharing between DHHS, the Department of State, State refugee coordinators, voluntary agencies, and ethnic community leaders concerning refugee admissions and domestic resettlement programs and policies. The Committee, therefore, urges DHHS to make every effort to further greater cooperation, information sharing, and planning among all involved in domestic refugee resettlement efforts.	ORR has engaged in a high degree of coordination and information sharing with all types of refugee program participants during the last two years and will continue to emphasize these activities in the future in coordination with the U.S. Coordinator for Refugee Affairs.

Refugee and Entrant Assistance

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Refugee and Entrant Assistance Activities:				
1. State Administered Prog: Section 412 of title IV of the Immigration and Nationality Act, and Section 501 of title V of the Refugee Education Assistance Act of 1980..	—	$210,000,000	—	$210,000,000
2. State Administered Prog: State 412 of title IV of the Immigration and Nationality Act, and Section 501 of title V of the Refugee Education Assistance Act of 1980..	—	75,000,000	—	75,000,000
3. Targeted Assistance: Section 412 of title IV of the Immigration and Nationality Act, and Section 501 of title V of the Refugee Education Assistance Act of 1980..	—	38,052,000	—	38,052,000
4. Preventive Health: Section 412 of title IV of the Immigration and Nationality Act........	—	5,770,000	—	5,770,000
5. Voluntary Agency Prog: Section 412 of title IV of the Immigration and Nationality Act.........	—	40,000,000	—	40,000,000
Total, appropriation.......	—	$368,822,000	—	$368,822,000
Total, appropriation against definite authorizations...........	—	$368,822,000	—	$368,822,000

Refugee and Entrant Assistance

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1980	$516,981,000	$516,900,000	$516,900,000	$516,900,000
1981	950,557,000	901,652,000	901,652,000	901,652,000
1982	683,705,000	669,797,000	669,797,000	689,747,000
1983	532,152,000	532,152,000	532,152,000	585,000,000
1984	485,328,000	541,761,000	541,761,000	541,761,000
1985	359,512,000	444,372,000	444,372,000	444,372,000
1986 1/	310,737,000	— 2/	— 2/	421,486,000
Sequester 1/	-18,123,000	—	—	-18,123,000
Rescission	-87,551,000	—	— 2/	—
1987	367,915,000	— 2/	— 2/	339,597,000 3/
1988	346,933,004 3/	320,885,000	389,597,000	346,933,000
1989	278,883,000	Deferred	400,000,000	382,356,000 4/
1990	368,822,000	Deferred	417,356,000	368,822,000
1991	368,822,000			

1/ All amounts shown exclude Federal Administration which, effective in FY 1986, was consolidated into the Family Support Administration's Program Administration budget activity.

2/ Because the program had not been reauthorized, both the House and Senate deferred action on the Refugee and Entrant Assistance budget requests. Appropriations were provided by annual Continuing Resolutions (in FY 1986, P.L. 99-190; and in FY 1987, P.L. 99-591).

3/ Under a provision of the Refugee Assistance Extension Act of 1986 (P.L. 99-605), the Education Assistance function was transferred from the Department of Health and Human Services to the Department of Education. The budget figure shown contains no amount for Education Assistance.

4/ The appropriation was $387,000,000, reduced by $4,644,000, pursuant to P.L. 100-436.

Refugee and Entrant Assistance

Justification

	1990 Current Est.	1991 Estimate	Increase or Decrease
Cash and Medical Assistance and State Administration1/.....	210,000,000	210,000,000	-0-
Employment Services 2/.........	75,000,000	75,000,000	-0-
Total, State Adm. Prog....	285,000,000	285,000,000	-0-
Targeted Assistance............	38,052,000	38,052,000	-0-
Preventive Health 3/	5,770,000	5,770,000	-0-
Voluntary Agency Programs......	40,000,000	40,000,000	-0-
Total, Refugee and Entrant Assistance budget authority..	$368,822,000	$368,822,000	-0-

1/ State Administration funds were included with Cash and Medical Assistance funds in the FY 1990 Appropriation.

2/ Employment Services represents the refocusing of the Social Services Program with emphasis placed on employment.

3/ These funds support 40 FTEs in the Public Health Service budget through a reimbursable agreement.

Refugee and Entrant Assistance

General Statement

The Refugee and Entrant Assistance program is designed to assimilate refugees and Cuban and Haitian entrants into American society as quickly and effectively as possible. The program pays for two basic activities. First, it subsidizes for a time the the normal State share of cash and medical benefits provided to refugees eligible for categorical (AFDC and Medicaid) or non-categorical benefits. Second, it provides for employment services, such as English language and vocational training. The purpose of these activities is to ease the refugees' and entrants' adjustment to American society and to allow them to become independent and self-sufficient in the shortest time possible.

The FY 1991 refugee budget request assumes the following authorized and estimated ceilings for federally funded refugees:

1989 Actual	1990 Estimate	1991 Estimate
105,500	111,000	110,000

The FY 1991 request is predicated on funding categorical cash and medical assistance for approximately four months and non-categorical assistance for 12 months.

Federal funding will continue to be made available for unaccompanied minors until they reach the age of majority. For the most part, the age of majority is 18, but it is higher in States where statutory authority permits the age of majority to be extended to cover special programs or services required by such minors prior to emancipation.

The FY 1991 budget request continues to focus on providing employment services to eligible refugees. These employment service funds will be targeted specifically on those activities which help achieve self-sufficiency for the refugee. This includes employment and skills training, job placement, and classes in English as a Second Language. Employment services will be targeted to refugees that will be in this country for 3 years or less, and will assure that English language training is provided to employable refugees so that they acquire the necessary English language skills for employment.

Refugee and Entrant Assistance

Program Accomplishments

State Administered Programs

In FY 1989, 49 States (all except Alaska), and the District of Columbia had approved State plans for refugee resettlement.

There was continued monitoring of State programs in FY 1989 to assure that States were observing ORR's goals, standards and priorities by allocating at least 85% of their ORR funded social services to priority service areas such as employment, English language training and case management.

The refugee dependency rate during FY 1989 for refugees in the country less than two years averaged 54.0%.

Preventive Health

Measures to strengthen overseas medical screening programs for refugees arriving from Europe, Near East, Africa and South Asia have been put into place. Tuberculin skin testing was provided for selected Southeast Asian groups and those with reactive skin tests were placed on preventive therapy.

Overseas screening activities for hepatitis B surface antigen among pregnant females and unaccompanied minors were maintained.

The Sentinel Project continued to monitor the health conditions of refugees arriving from the Philippine Refugee Processing Center.

Wilson/Fish Demonstration Projects

The Wilson/Fish amendment to the Immigration and Nationality Act, contained in the FY 1985 Continuing Resolution on Appropriations, enables ORR to develop alternative projects which promote early employment of refugees. It provides to States, voluntary resettlement agencies, and others the opportunity to develop innovative approaches for the provision of cash and medical assistance, social services, and case management. In the summer of 1985, ORR awarded grants to the States of California and Oregon for demonstration projects designed to decrease refugee reliance on welfare and to promote earlier economic self-sufficiency. Both of these projects got fully under way in FY 1986 and continued to operate through FY 1989.

Voluntary Agency Matching Grant Program

The Matching Grant program, funded by Congress since 1979, provides an alternative to the State-administered programs funded by ORR. Subject to appropriations, federal funds of up to $957 per refugee are provided on a dollar-for-dollar matching basis to voluntary agencies participating in the program. The program goal is to help refugees attain self-sufficiency, within four months after arrival. In FY 1989, five participating national voluntary agencies resettled approximately 16,500 refugees under the program.

Planned Secondary Resettlement (PSR) Program

The Planned Secondary Resettlement (PSR) program provides an opportunity for unemployed refugees and their families to relocate from areas of high welfare dependency to communities in the U.S. that offer favorable employment prospects. Secondary resettlement assistance and services are provided to refugees who participate in a planned relocation. Eligibility is limited to refugees who have lived in the U.S. for 18 months or more and who have experienced continuing unemployment. As of the end of FY 1989, there were six PSR grantees: four mutual assistance associations, and two voluntary agencies. In fiscal year 1989, one new and three continuation grants were awarded totaling $861,876 to relocate 415 refugees. Two grantees continued to implement PSR projects through FY 1989 with FY 1987 and 1988 funding.

Key States Initiative (KSI)

ORR continued into the third year of its Key States Initiative to respond to the persistence of high welfare dependency in four States — New York, Minnesota, Wisconsin, and Washington. The initiative provides financial support to enable the States to implement individualized plans to increase employment among targeted populations in selected communities. The States have identified the target populations, designed strategies to increase employment, and implemented services based on those strategies.

Job Links

Job Links cooperative agreements with States have as their objective the development of service initiatives through cooperative planning, which would strengthen linkages between employable refugees and potential employers in communities with good job opportunities. Grants totalling $3,397,107 were approved for 20 States.

Amerasian Initiative

The Office of Refugee Resettlement continued its Cooperative Agreement with InterAction to assist in the resettlement of approximately 10,000 Vietnamese Amerasians and family members. (Amerasians are children born in Vietnam to Vietnamese mothers and American fathers, and are admitted to the United States under P.L. 100-202 as immigrants, but are entitled to the same social services and assistance benefits as refugees.)

The national voluntary resettlement agencies have designated some 40 communities for clustering resettlement of free-case Amerasians. Under the InterAction agreement, local affiliates of the national voluntary agencies are encouraged to undertake comprehensive planning for the Amerasian caseload, and may apply for sub-grants from InterAction for special activities to assist in Amerasian resettlement. In FY 1989, ORR made $960,555 available to InterAction under the Cooperative Agreement. With this, together with $593,232 awarded in FY 1988, InterAction made 33 sub-grants to communities throughout the United States which expected to receive more than 100 Amerasians and family members each.

Refugee and Entrant Assistance

State Administered Programs

Authorizing Legislation - Section 412 of Title IV of the Immigration and Nationality Act and Section 501 of Title V of the Refugee Education Assistance of 1980.

	FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
Cash and Medical Assistance and State Administration	$210,000,000	$210,000,000	-0-
Employment Services 1/.....	75,000,000	75,000,000	-0-
Total, State Administered Program..................	$285,000,000	$285,000,000	-0-

1/ Effective with the FY 1989 budget, employment services represents the refocusing of Social Services with emphasis placed on employment related activities.

Purpose and Method of Operation

This activity provides Federal funds for cash and medical assistance provided under state-administered programs to eligible refugees and entrants, for state program administration and for employment services available to eligible refugees and entrants.

Through reimbursement of the usual State and/or local share of public assistance costs, the Federal government alleviates the fiscal burden that would otherwise fall to State and local jurisdictions for assisting refugees admitted into the country under the Refugee Act of 1980. Cash and medical assistance are provided to needy refugees through State-administered welfare programs; but instead of the cost-sharing arrangements used for assisting American citizens, the entire cost of assisting refugees is borne by the Federal government during an initial period of transition towards self-sufficiency. Employment Services emphasizing language and employment skills development are also federally funded.

Rationale for the Budget Request

For FY 1991, $285,000,000 is requested to fund State administered programs of cash and medical assistance, related administration, and employment services. This request wouldretain the same funding level as in FY 1989. The Refugee and Entrant Assistance program plans on achieving the following objectives in FY 1991:

1. Maintaining the Administration's current levels of reimbursement to States for refugee assistance.

   - For categorical assistance (i.e., Aid to Families with Dependent Children (AFDC), Medicaid, and Supplemental Security Income), subsidies will be available for assistance provided during a refugee's initial 4-month period after arrival in the U.S.

   - For non-categorical assistance (i.e., Refugee Cash Assistance (RCA) and Refugee Medical Assistance (RMA)), special funding will continue to be available to eligible refugees during the first 12 months after arrival in the country.

2. Federal funding will be made available for unaccompanied minors until they reach the age of majority (usually 18, but higher in States where statutory or regulatory authority permits the age of majority to be extended to cover special programs or services required by such minors prior to their emancipation).

3. As in previous fiscal years, a continued emphasis is being placed on employment services. The budget request reflects the additional refugees who are projected to be entering the country in FY 1991. Funding is targeted specifically on those activities which help refugees achieve self-sufficiency. These include employment and skills training, job placement, and classes in English as a second language.

The following summarizes the principal assumptions contained in the budget request:

A. Estimated Refugee Admissions - Eligible for Assistance in 1991

	Year of Entry		
	FY 1989	FY 1990	FY 1991
Total	105,500	111,000 1/	110,000

1/ Excludes 14,000 refugee admissions funded through private initiative programs.

B. The estimated eligible population's dependency rate is 43.5%.

C. In FY 1991, AFDC will make up 37.9% of the total estimated refugee cash assistance recipients, RCA 56.6% of the total recipient population, and SSI the remaining 5.5% of the recipients.

D. Estimated FY 1991 Unit Costs (annual)

Cash Assistance		Medical Assistance	
AFDC	$1,015	XIX	$ 664
RCA	$2,536	RMA	$1622
SSI State Supp	$2,916		

E. Approximately, 3,068 unaccompanied minors will be assisted in FY 1991, at an annual unit cost of $10,198.

F. The State administration rate in FY 1991 is initially estimated at 12% of cash and medical assistance costs.

Refugee and Entrant Assistance

Preventive Health

Authorizing Legislation - Section 412 of Title IV of the Immigration and Nationality Act.

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$5,770,000	$5,770,000	-0-

Purpose and Method of Operation

This activity provides Federal funding to ensure that health screening, examination, and subsequent notification procedures are performed for arriving refugees.

The monitoring of overseas health screening, examination, and immunization of refugees and the port of entry review of records and notification of health agencies will be performed by the Centers for Disease Control (CDC). The agency also will provide consultation for disease outbreaks and technical quality control in refugee camps and other locations. CDC staff will forward to State and local health departments the medical records of refugees destined for resettlement in their areas, inspect medical documentation at U.S. ports of entry, and advise the health departments of those refugee arrivals who may have public health conditions requiring medical follow-up.

Grants are awarded to State and selected metropolitan public health agencies to provide health assessments and other services to refugees. Further, Federal aid is provided to reinforce local disease control capabilities, especially in the areas of TB control, therapy, and follow-up; and outreach to refugees who should begin, continue, or complete needed health care procedures.

This program provides funding to conduct an initial health assessment and to support efforts which will reduce prolonged dependency on medical assistance after resettlement. In addition, the program identifies potentially significant public health problems.

Rationale for the Budget Request

The Office of Refugee Resettlement is requesting $5,770,000 - the same amount as was provided in FY 1990 - to maintain the current CDC standard of health care screening and follow-up procedures.

Funds will be used to accomplish the following objectives:

1. Monitor the screening of refugees in overseas camps and other locations in Southeast and Western Asia, Europe and Africa.

2. Review medical records of arriving refugees and notify State and local health departments of those arrivals into their jurisdiction.

3. Maintain computer record systems on refugee medical records, and provide a tracking and notification system for refugees with type A/B tuberculosis.

4. Assist State and local health agencies to meet the costs of providing personal health assessments to arriving refugees.

5. Assure that refugees with tuberculosis infection or disease successfully complete appropriate treatment.

6. Have treated, or refer for such treatment those for which further medical attention is indicated.

7. Provide hepatitis B virus (HBV) screening and vaccination services to pregnant refugee women who have arrived in the U.S. since October 1, 1982, as well as the newborns and susceptible household contacts of those who are carriers.

Refugee and Entrant Assistance

Voluntary Agency Programs

Authorizing Legislation - Section 412 of Title IV of the Immigration and Nationality Act.

FY 1990 Appropriation	FY 1991 Estimate	Increase or Decrease
$40,000,000	$40,000,000	-0-

Purpose and Method of Operation

The Voluntary Agency Program was first funded by Congress in FY 1979. It matches dollars and the value of in-kind services (currently up to a maximum of $957 per refugee) supplied by participating agencies for cash assistance and services provided to resettle refugees. The goal of the program is to help refugees attain self-sufficiency.

Rationale for the Budget Request

The FY 1991 request for Voluntary Agency Programs is $40 million. Approximately 41,800 refugees in FY 1991 are expected to participate in the matching grant program. For FY 1991, the Federal match under this program would remain at the level of $957 per refugee. The program encourages private sector participation in and support for refugee resettlement.

Refugee and Entrant Assistance

Management Savings

We began a project for FY 1990 which is tracking improvements in the Refugee Resettlement Program in eight major states with large refugee populations. The goal of this project is to improve quality of service, reduce welfare dependency, and promote economic self-sufficiency for refugee families. We are accomplishing this goal by creating economic independence for refugee families through enhancement of employment opportunities, thereby reducing welfare dependency among time-eligible refugees receiving cash and medical assistance. A major program effectiveness measure for this project is cost savings in the target states based on cash assistance recipients entering and retaining employment for a minimum of three months. Based on estimated data received through the 4th quarter, FY 1989, the eight target states achieved grant reduction savings of $1,600,200 based on 3,048 cash assistance recipients entering and retaining employment for a minimum of three months.

Refugee and Entrant Assistance

Summary State Table

STATE	1989 Actual	1990 Estimate	1991 Estimate
Alabama	$252,520	$202,541	$202,541
Arizona	2,560,851	2,054,002	2,054,002
Arkansas	160,708	128,900	128,900
California	120,476,221	96,631,298	96,631,298
Colorado	2,058,276	1,650,897	1,650,897
Connecticut	1,350,500	1,083,206	1,083,206
Delaware	75,000	60,156	60,156
Dist. of Columbia	787,429	631,579	631,579
Florida	7,623,039	6,114,270	6,114,270
Georgia	1,374,957	1,102,822	1,102,822
Hawaii	1,306,201	1,047,675	1,047,675
Idaho	292,732	234,794	234,794
Illinois	8,471,408	6,794,728	6,794,728
Indiana	120,952	97,013	97,013
Iowa	2,401,060	1,925,837	1,925,837
Kansas	1,492,022	1,196,718	1,196,718
Kentucky	327,564	262,732	262,732
Louisiana	469,777	376,798	376,798
Maine	352,312	282,582	282,582
Maryland	1,565,896	1,255,970	1,255,970
Massachusetts	17,231,061	13,820,651	13,820,651
Michigan	4,698,852	3,768,845	3,768,845
Minnesota	11,348,000	9,101,978	9,101,978
Mississippi	690,655	553,959	553,959
Missouri	662,000	530,975	530,975
Montana	361,624	290,051	290,051
Nebraska	391,430	313,957	313,957
Nevada	283,069	227,043	227,043
New Hampshire	366,152	293,682	293,682
New Jersey	3,127,055	2,508,141	2,508,141
New Mexico	454,923	364,884	364,884
New York	23,883,300	19,156,264	19,156,264
North Carolina	732,829	587,786	587,786
North Dakota	525,948	421,851	421,851
Ohio	3,096,406	2,483,558	2,483,558

Refugee and Entrant Assistance

Summary State Table

STATE	1989 Actual	1990 Estimate	1991 Estimate
Oklahoma	294,167	235,945	235,945
Oregon	5,808,815	4,659,121	4,659,121
Pennsylvania	7,141,011	5,727,646	5,727,646
Rhode Island	1,273,629	1,021,549	1,021,549
South Carolina	142,880	114,601	114,601
South Dakota	81,110	65,057	65,057
Tennessee	506,300	406,092	406,092
Texas	3,257,352	2,612,650	2,612,650
Utah	1,719,719	1,379,348	1,379,348
Vermont	405,239	325,033	325,033
Virginia	5,188,686	4,161,730	4,161,730
West Virginia	30,000	24,062	24,062
Wisconsin	4,691,224	3,762,726	3,762,726
Washington	9,857,681	7,906,627	7,906,627
Wyoming	49,458	39,669	39,669
Social Services	63,031,247	75,000,000	75,000,000
Targeted Assistance	34,052,000	38,052,000	38,052,000
Preventive Health	5,770,000	5,770,000	5,770,000
Voluntary Agencies	15,808,000	40,000,000	40,000,000
TOTAL	$380,481,247	$368,822,000	$368,822,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Family Support Administration
Community Services Programs

FY 1991 Budget

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Family Support Administration

Community Services Programs

For making payments under title VII of the Stewart B. McKinney Homeless Assistance Act, $33,959,000 together with the previously appropriated amount of $8,041,000.

Office of Community Services

Language Analysis

Language Provision	Explanation
"For making payments under the Stewart B. McKinney Homeless Act......................	This language provides funds under the Emergency Community Services Homeless Grant Program to assist families and individuals who are homeless or are about to become homeless. This program is authorized under Subtitle D of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77), as amended.

Community Services Programs

Amounts Available for Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation.........	$380,480,000	$388,780,000	$ --
Advanced funding.....	--	--	$ 8,041,000
Current funding......	--	--	$33,959,000
Offsetting collections from: Federal funds..	-129,000	--	--
Unobligated balance lapsing............	+118,000	--	--
Total obligations..	$380,598,000	$388,780,000	$42,000,000

Community Services Programs

Summary of Changes

1990 Appropriation..................................	$388,780,000
Total estimated budget authority	$388,780,000
1991 Request	$ 42,000,000
Net Change	-$346,780,000

	1990 Current Estimate Base Budget Authority	Change from Base Budget Authority
Increases:		
A. Program:		
1. Homeless Assistance	$ 21,854,500	+$ 20,145,500
Decreases:		
A. Program:		
1. Community Services activities - Termination of of program activity....	$323,085,128	-$323,085,128
2. Discretionary Activities - Termination of program activity........	37,938,592	- 37,938,592
3. Community Food and Nutrition - Termination of program activity...............	2,406,493	- 2,406,493
4. Community Partnership - Termination of Program Activities...	3,495,287	- 3,495,287
Total Decrease........		-$366,925,500
Net Change............		-$346,780,000

Community Services Programs

Budget Authority by Activity

(Budget Authority in Thousands)

	1989 Actual	1990 Appropriation	1991 Estimate
Community Services Activities........	$338,630	$323,085	--
Earmarked Homeless.. Assistance	18,918	21,855	$ 42,000
Discretionary Activities........	37,120	37,939	--
Community Partnership.......	3,512	3,495	--
Community Food & Nutrition.......	2,418	2,406	--
Total budget authority......	$380,598	$388,780	$ 42,000

Community Services Programs

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Grants, Subsidies and Contributions	$388,780,000	$ 42,000,000	$346,780,000
Total, budget authority by object	$388,780,000	$ 42,000,000	-$346,780,000

Community Services Program

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Community Services:				
1. Community Services Block Grants - Section 672 Community Services Block Grant Act	--	$323,085,128	--	--
2. Discretionary Activities - Section 681 CSBG Act	--	37,939,592 1/	--	--
3. Community Partnerships Section 408 Human Services Reauthorization Act of 1986 P.L. 99-425	--	3,495,287	--	--
4. Community Food and Nutrition Section 681 CSBG Act as amended	--	2,406,493	--	--
5. Emergency Community Services Homeless Grant Section 754 of the Stewart B. McKinney Homeless Assistance Act	2/	$21,854,500	--	--
Total Appropriation	--	$388,780,000	--	--

1/ Exceeds 9% authorization.
2/ Not authorized in FY 1989.

Community Services Programs

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1982	$225,000,000	$362,552,000	$300,000,000	$366,075,000
1983	112,500,000	360,500,000	360,500,000	360,500,000
1983 Suppl.	--	41,375,000	25,000,000	25,000,000
1984	2,852,000	377,300,000	351,000,000	352,300,000
1985	2,919,000	362,300,000	382,572,000	372,435,000
1985 Prop. Rescission	-34,000	--	--	--
1986	3,864,000	357,400,000	368,135,000	352,166,000
1986 Seq.	- 15,738,000			
1986 Rescission	-181,947,000			
1987	3,612,000	Deferred 1/	377,100,000	368,236,000 2/
1988	310,000,000	408,200,000	407,000,000	382,290,000
1989	$310,000,000	354,398,000	385,864,000	380,598,000
1990	42,000,000	371,538,000	391,223,000	390,639,000
Sequester	-1,859,000			
1991	$42,000,000			

1/ House deferred action on Community Services Block Grant budget request.

2/ Federal Administration funds have been excluded from estimate, and shown as a part of the Program Administration account beginning with FY 1986.

Justification

Community Services Programs

	1990 Appropriation	1991 Estimate	Increase or Decrease
Community Services:			
Community services activities.............	$323,085,128	--	-$323,085,128
Homeless Assistance.....	21,855,500	$ 42,000,000	+ 20,145,000
Discretionary activities.............	37,939,592	--	- 37,939,592
Demonstration Partnership.	3,495,287	--	- 3,495,287
Community Food and Nutrition Program......	2,406,493	--	- 2,406,493
Total, budget authority..............	$388,780,000	$ 42,000,000	-$346,780,000

Community Services Programs

General Statement

The Office of Community Services (OCS) which administers the Community Services Block Grant (CSBG) program, makes grants to States, territories, and Indian Tribes to provide a wide range of services and activities having an impact on causes of poverty in communities. Most funds are passed through to Community Action Agencies (CAA's). The community services programs fund only a small portion of CAA activities, about 12% or less CAA's provide most services on a reimbursable basis. Many CAA's receive funding for social services block grants, low income home energy assistance, Head Start and other programs. The Budget proposes to fund CAA administrative and other costs through appropriations included for the various Federal programs which fund CAA activities. Services would be funded through appropriations for those services, with CAA's getting Federal funds on the same basis as other service providers. The CSBG account would be replaced with an appropriation for McKinney Act Services for homeless people.

Assistance may be provided under the CSBG program to meet the following needs: employment, education, better use of available income, housing, nutrition, energy, emergency services, health, and drug abuse. Consistent with the statute, States and Indian Tribes have the flexibility to provide such services and/or activities they feel best meet the needs of low-income families and individuals. Currently, most funds are allocated to Community Action Agencies and migrant or seasonal farm worker organizations in accordance with legislative requirements.

These services, however, are similar to those already funded under other service authorities including the Social Services Block Grant and Low Income Home Energy Assistance programs. In addition, there has been increased funding for such activities as employment services (JOBS) and child development (Head Start).

As a result, the FY 1991 budget includes only $42 million to maintain support for highly targeted homeless activities authorized by the Stewart B. McKinney legislation.

Community Services Programs

Program Accomplishments

CSBG funds awarded to States, territories and Indian tribal grantees have accomplished the following:

- Development of State-wide needs assessment plans.

- Operation of outreach and referral networks.

- Development and implementation of computerized data collection system.

- Operation of emergency food and shelter programs in response to natural disasters.

- Coordination with other State agencies to provide commodity food, weatherize homes, increase rural transportation services, create jobs, deliver health care services, and provide emergency assistance services.

- Collection, preservation, storage and distribution of surplus commodity food and fresh garden and cooperative foodstuffs.

- Establishment of State-wide feeding and nutrition programs to combat hunger and malnutrition.

- Operation of scholarship programs for low-income individuals.

- Conduct of on-site monitoring of CSBG-funded agencies to strengthen fiscal management systems.

- Provision of services and activities to homeless individuals and families.

- Development of new approaches to reduce dependency and stimulate self-sufficiency among low income individuals through innovative community based programs.

- Development of an Emergency Services Network to meet individual crisis situations.

- Conduct of State-wide rural housing surveys

- Provision of disaster relief services.

Community Services Programs

Management Savings

The Office of Community Services, in conjunction with the Office of Grants Management and the Office of Management and Information Systems, has taken steps to develop a computer system related to the OCS Discretionary Grants Program funding cycle. This system will be integrated into an OCS/Office of Grants Management systems using the soon-to-be operational Local Area Network. This system will be more efficient and cost effective than the existing system.

Community Services Program

Community Services Block Grants

Authorizing Legislation - Section 672 of the Community Services Block Grant Act.

Budget Authority:

	1990 Appropriation	1991 Estimate	Increase or Decrease
	$323,085,128	--	-$323,085,128

Purpose and Method of Operations

The Community Services Block Grant program issues block grants to States to provide services to reduce poverty, including services to meet employment, education, better use of available income, housing, nutrition, energy, emergency services, health, and drug-abuse related needs. Each State requesting funds under the block grant program must certify in its application that the State agrees to provide: (1) a range of services and activities having a measurable and potentially major impact on causes of poverty in communities where poverty is an acute problem; and (2) activities designed to assist low-income participants, including the elderly.

Funds are allocated for block grants to 50 States and the District of Columbia, Indian Tribes, Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Marinas, Republic of Palau, Republic of the Marshall Islands and the Federated States of Micronesia. Allocations are based on relative percentages of 1981 funding levels under Section 221 of the Economic Opportunity Act of 1964.

Rationale for the Budget Request

The Budget proposes to fund CAA administrative and other costs through allocations included in the appropriations for the various Federal programs which are partially administered by CAA's. Services will be funded through appropriations for those services, with CAA's getting Federal funds on the same basis as other service providers.

Community Services Program

Community Services

Discretionary Activities

Authorizing Legislation - Section 681 of the Community Services
Block Grant Act.

Budget Authority:

	1990 Appropriation	1991 Estimate	Increase or Decrease
	$37,938,592	--	-$37,938,592

Purpose and Method of Operations

Community Services Discretionary activities provide assistance for projects of national and regional significance. Assistance is provided to private, locally-initiated community development programs which sponsor enterprises providing employment, training, and business development opportunities for low-income residents; to public and private non-profit agencies for activities benefitting migrants and seasonal farm workers; to public and private organizations to carry out programs in rural housing and community facilities development; and to a private, non-profit organization to provide recreational activities for low-income youth. In 1989 a total of 92 grants was made under this program, including 57 for economic development projects, 11 for rural housing, 7 for rural facilities, 16 for assistance to migrants and seasonal farmworkers, and 1 to carry out the National Youth Sports Program.

Rationale for the Budget Request

In FY 1991, no funds are requested for Community Services discretionary activities.

Community Services Programs

Demonstration Partnership Program

Authorizing Legislation - Section 408, P.L. 99-425

Budget Authority:

1990 Appropriation	1991 Estimate	Increase or Decrease
$3,495,287	--	-$3,495,287

Purpose and Method of Operations

The Demonstration Partnership Program (DPP) was established by Congress in September 1986 to provide grantees of the Community Services Block Grant --- primarily community action agencies-- with an opportunity to develop, in partnership with other public and private organizations, unique and innovative approaches to lessening dependency of the poor on public assistance programs. Funds must be matched by recipients on a 50-50 basis, with no individual grant to exceed $350,000. HHS is required to disseminate the results of successful projects for replication elsewhere throughout the country.

In FY 1989, 16 demonstrations were funded.

Rationale for the Budget Request

No funds are requested in FY 1991 for additional demonstrations. FSA will be focusing its efforts on lessening dependency through improvements in the entitlement programs.

Community Services Programs

Community Food and Nutrition

Authorizing Legislation - Section 681(A) of the Community Services
Block Grant Act.

Budget Authority:

1990 Appropriation	1991 Estimate	Increase or Decrease
$2,406,493	--	-$2,406,493

Purpose and Method of Operations

Community Food and Nutrition (CFN) provides assistance to public and private agencies at the community-based, local, and national level for purposes of (1) coordinating existing food assistance resources; (2) assisting in identifying sponsors of child nutrition programs and initiating new programs in undeserved and unserved areas; and (3) developing innovative approaches at the State and local level to meet the nutrition needs of low-income people. In FY 1989, 22 grants were made under this program.

Rationale for the Budget Request

No funding is requested for this activity in FY 1991. However, many other funding sources exist which can be used to continue this activity. Federal sources include Social Services Block grant, the Emergency Food and Shelter program in the Federal Emergency Management Agency. In addition, the Department of Agriculture has a number of food distribution and supplemental funding programs which provide food for the homeless and other low income Americans. These include the Food Stamp program, which has undergone a series of changes to allow Food Stamps to be used in soup kitchens; the WIC program which provides food supplements for poor women and children; and the Food Distribution program which distributes surplus food to charitable institutions and individuals.

Community Services Programs

Homeless Assistance

Authorizing Legislation - Subtitle D of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77, as amended)

1990 Appropriation	1991 Estimate	Increase or Decrease
$ 21,854,500	$42,000,000	+$20,145,500

Purpose and Method of Operations

The McKinney Act, as amended, provides funds under the Emergency Community Services Homeless Grant Program (EHP) to assist families and individuals who are homeless or are about to become homeless. The EHP funds may be used to: (1) expand comprehensive services to homeless individuals to provide follow-up and long term services to enable the homeless to move out of poverty; (2) provide assistance in meeting social and maintenance services for homeless individuals; (3) promote private sector and other assistance to the homeless; and (4) after October 1, 1988, use up to 25% of funds annually to provide assistance under certain conditions to an individual who has received a notice of foreclosure, eviction, or termination of utility services, in order to prevent them from becoming homeless.

Funds are distributed to 57 States and territories based on the formula used to allocate Community Services Block Grant (CSBG) funds, after approval of an annual application. In addition, not less than 1.5 percent of the funds are allocated directly to Federally-recognized Indian tribes that apply for and receive CSBG funding for that fiscal year. In States that do not apply for funds or do not submit an acceptable application, the Secretary is authorized to make grants directly to agencies and organizations in the State, but this authority has never been used.

Rationale for the Budget Request

Funding of $42,000,000 is requested for the EHP program in FY 1991. (Of this amount, $8 million has been previously appropriated). The requested amount is identical to the level authorized for this program in FY 1990. The 1991 request recognizes the President's stated intention to fully fund the McKinney Act homeless assistance programs.

EHP funds provide services for homeless families and individuals through a national network of local anti-poverty agencies. These funds augment a variety of Federal, State, local, and private resources, and mobilize millions of hours of volunteer services. The impact of these funds can best be understood by looking at the range of services and activities provided to homeless families, children, and single men and women. The EHP program is very flexible and can be used for almost any goods or services that help the homeless, including food, shelter, counselling, case management, transportation, medical care, and day care.

Program Accomplishments

EHP funds awarded to States, territories, and federally-recognized Indian tribes are being used to provide the following services:

- emergency and temporary shelters
- food provided through pantries and soup kitchens
- medical and/or transportation assistance
- counselling on drug abuse, domestic violence and runaways
- case management, or referral to other agencies, groups and/or services
- clothing, blankets and emergency services
- housing assistance
- employment assistance and hiring incentives to private sector organizations
- outreach assessment and counselling
- fund solicitation from companies and corporations
- promotion of fund raising efforts
- day care

Allocation to States for Emergency Homeless Program

State	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Alabama	$ 357,837	$ 413,378	$ 794,430
Alaska	58,467	67,540	129,798
Arizona	182,765	211,141	405,770
Arkansas	263,762	304,712	585,597
California	1,729,789	1,998,289	3,840,315
Colorado	168,759	194,945	374,645
Connecticut	234,065	270,392	519,639
Delaware	47,295	54,636	105,000
Dist. of Columbia	318,615	368,076	707,369
Florida	536,763	651,272	1,251,614
Georgia	521,836	602,832	1,158,523
Hawaii	80,991	93,572	179,826
Idaho	50,115	57,936	111,342
Illinois	916,281	1,058,502	2,034,230
Indiana	282,470	326,314	627,111
Iowa	209,935	242,515	466,066
Kansas	158,257	182,819	351,342
Kentucky	327,105	377,870	726,191
Louisiana	455,429	526,113	1,011,085
Maine	101,988	117,823	226,433
Maryland	266,115	307,426	590,811
Massachusetts	483,500	558,548	1,073,418
Michigan	718,605	830,148	1,595,378
Minnesota	233,478	269,713	518,335
Mississippi	308,553	356,438	685,002
Missouri	563,805	620,130	1,191,767
Montana	69,946	80,810	155,301
Nebraska	135,203	156,193	300,172
Nevada	47,295	54,636	105,000
New Hampshire	52,511	60,671	116,598
New Jersey	531,383	613,856	1,179,708
New Mexico	124,457	143,771	276,299
New York	1,683,633	1,944,975	3,737,853
North Carolina	516,437	596,600	1,146,546
North Dakota	47,295	54,636	105,000

Allocation to States for Emergency Homeless Program

State	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Ohio	756,118	873,478	1,678,651
Oklahoma	247,985	286,481	550,560
Oregon	155,424	179,554	345,068
Pennsylvania	821,277	948,755	1,823,319
Puerto Rico	817,175	944,028	1,814,234
Rhode Island	108,045	124,819	239,877
South Carolina	298,295	344,588	662,229
South Dakota	60,191	69,532	133,627
Tennessee	382,211	441,530	848,533
Texas	934,109	1,079,107	2,073,829
Utah	75,514	87,233	167,645
Vermont	54,289	62,706	120,509
Virginia	310,507	358,706	689,362
Washington	233,283	269,501	517,928
West Virginia	217,115	250,825	482,036
Wisconsin	236,067	272,702	524,079
Wyoming	47,295	54,636	105,000
Subtotal,	18,823,410	21,745,227	41,370,000
Territories	94,590	109,273	630,000
Adjustment	-67,245		
Total	$18,850,755	$21,854,500	$42,000,000

Allocation to States for Community Services Block Grant

State	FY 1989 Actual	FY 1990 Estimate	Fy 1991 Estimate
Alabama	$ 6,108,532	$ 6,174,023	--
Alaska	999,862	1,010,583	--
Arizona	3,121,44	3,154,910	--
Arkansas	4,502,504	4,550,776	--
California	29,533,423	29,850,059	--
Colorado	2,880,852	2,911,739	--
Connecticut	3,996,323	4,039,169	--
Delaware	881,875	897,583	--
Dist. of Col.	5,439,874	5,498,196	--
Florida	9,626,796	9,730,008	--
Georgia	8,908,146	9,003,652	--
Hawaii	1,384,184	1,399,024	--
Idaho	881,875	897,583	--
Illinois	15,644,71	15,812,447	--
Indiana	4,821,210	4,872,899	--
Iowa	3,583,880	3,662,304	--
Kansas	2,702,752	2,731,729	--
Kentucky	5,583,604	5,643,467	--
Louisiana	7,777,052	7,860,431	--
Maine	1,740,385	1,759,044	--
Maryland	4,543,123	4,591,831	--
Massachusetts	8,255,111	8,343,615	--
Michigan	12,270,181	12,401,733	--
Minnesota	3,986,950	4,029,695	--
Mississippi	5,268,023	5,324,503	--
Missouri	9,164,360	9,262,613	--
Montana	1,193,585	1,206,383	--
Nebraska	2,309,056	2,333,812	--
Nevada	881,875	897,583	--
New Hampshire	896,751	906,367	--
New Jersey	9,073,748	9,171,029	--
New Mexico	2,124,707	2,147,486	--
New York	28,746,032	29,054,226	--
North Carolina	8,817,533	8,912,068	--
North Dakota	881,875	897,583	--

Allocation to States for Community Services Block Grant

State	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Ohio	12,910,718	13,049,137	--
Oklahoma	4,233,791	4,279,182	--
Oregon	2,652,759	2,681,200	--
Pennsylvania	14,023,065	14,173,409	--
Puerto Rico	13,951,199	14,254,654	--
Rhode Island	1,843,496	1,863,260	--
South Carolina	5,093,047	5,147,651	--
South Dakota	1,027,983	1,039,005	--
Tennessee	6,527,224	6,597,204	--
Texas	15,947,799	16,118,779	--
Utah	1,290,447	1,304,282	--
Vermont	927,997	937,947	--
Virginia	5,302,393	5,359,241	--
Washington	3,983,825	4,026,537	--
West Virginia	3,705,739	3,745,469	--
Wisconsin	4,030,694	4,073,908	--
Wyoming	881,875	897,583	--
Territories	1,763,750	1,795,166	--
Subtotal	318,630,000	323,085,128	--
Homeless Assistance	18,918,000	21,854,500	$ 42,000,000
Food And Nutrition	2,418,000	2,406,493	--
Demonstration Partnership	3,512,000	3,495,287	--
Discretionary	37,120,000	37,938,592	--
Total, budget authority	$380,598,000	$388,780,000	$ 42,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Payments to States for Family Support Activities

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FAMILY SUPPORT ADMINISTRATION

Payments to States for Family Support Activities

For carrying out aid to families with dependent children work programs, as authorized by part F [and part C (including registration of individuals for such programs, and for related child care and other supportive services as authorized by section 402(a)(19)(G)] of title IV of the Social Security Act, [$349,975,000, together with such additional amounts as may be necessary for unanticipated costs incurred for the current fiscal year for carrying out those programs: Provided, That the total amount appropriated under this paragraph shall not exceed the limit established in section 403(k)(3) of the Act (as added by section 201(c) of the Family Support Act of 1988): Provided further, That a State may not receive more than one-fourth of the amount of its fiscal year 1989 allotment under part C for each quarter in fiscal year 1990 during which part C applies to that State, and a State may not receive more than one-fourth of its annual limitation determined under section 403(k)(2) for each quarter in fiscal year 1990 during which part F applies to that State: Provided further, That the quarterly amounts specified in this paragraph shall be the maximum amounts to which the States may become entitled for these purposes] $1,000,000,000. (Department of Health and Human Services Appropriations Act, 1990.)

Language Analysis

Language Provision	Explanation
"For carrying out aid to families with dependent children work programs, of title IV of the Social Security Act..."	**This language provides funding at the statutory ceiling of $1 billion for JOBS activities.**

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
PAYMENTS TO STATES FOR FAMILY SUPPORT ACTIVITIES

Amounts Available for Obligation

	1989 1/ Actual	1990 Appropriation	1991 Estimate
Annual (definite)....	$91,440,000	$349,975,000	$1,000,000,000
Annual (indefinite)..	---	116,671,000	---
Sequester Order......	---	-3,608,000	---
Subtotal-Budget Auth.	$91,440,000	$463,038,000	$1,000,000,000
Unobligated balance lapsing.......	-11,165,000	---	---
Total obligations....	$80,275,000	$463,038,000	$1,000,000,000

1/ Amounts displayed were originally separately appropriated for the predecessor Work Incentives (WIN) program.

Payments to States for Family Support Activities

SUMMARY OF CHANGES

1990 Appropriation (definite).....................	$349,975,000
1990 Appropriation (indefinite)..................	116,671,000
1990 Sequester Order.............................	-3,608,000
Total, estimated budget authority.................	$463,038,000
1991 Request..	$1,000,000,000
Net change..	+$536,962,000

	1990 Current Estimate Base Budget Authority	Change from Base Budget Authority
Increase:		
A. **Built-in:**		
1. Increase due to implementation of JOBS in all states.......	$463,038,000	+$536,962,000
Total Increase.............		+$536,962,000
Net Change................		+$536,962,000

Payments to States for Family Support Activities

Budget Authority by Activity
(Budget authority in thousands)

	1989 1/ Actual	1990 Appropriation	1991 Estimate
1. Grants to States....	$91,440	$463,038	$1,000,000
Total, budget authority...	$91,440	$463,038	$1,000,000

1/ Amounts displayed were originally separately appropriated for the predecessor Work Incentives (WIN) program.

Payments to States for Family Support Activities

Budget Authority by Object

	1990 Appro.	1991 Estimate	Increase
Grants, subsidies and contributions...	$463,038,000	$1,000,000,000	+$536,962,000
Total, budget authority by object..............	$463,038,000	$1,000,000,000	+$536,962,000

Payments to States for Family Support Activities

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Social Security Act as amended 1/				
Sec. 431 - Work Incentive Program for Recipients of Aid to Families with Dependent Children;............	Indefinite	--	2/	--
Sec. 401 - JOBS program for Recipients of Aid to Families with Dependent Children;..........	$800,000,000	$463,038,000	$1,000,000,000	$1,000,000,000
Child Care (related to Work Incentive Program)..	Indefinite	--	Indefinite	--
Total appropriation.	Indefinite	--	Indefinite	$1,000,000,000
Total appropriation.	$800,000,000	$463,038,000	$1,000,000,000	$1,000,000,000

1/ Part IV, A, Sec. 445 established the WIN Demonstration Program included in the 1981 amendments.

2/ Section 431 is repealed as of October 1, 1990 by the Family Support Act of 1988, P.L. 100-485.

Payments to States for Family Support Activities

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1990	$349,975,000 1/	$349,975,000	$349,975,000	$349,975,000
Indefinite				116,671,000
Sequestration				-3,608,000
1991	$1,000,000,000			

1/ This account was authorized by the Family Support Act (P.L. 100-485) in October 1988.

Justification
Payments to States for Family Support Activities

	1990 Estimate	1991 Estimate	Increase
Grants to States....	$463,038,000	$1,000,000,000	+$536,960,000
Total budget Authority.........	$463,038,000	$1,000,000,000	+$536,960,000

General Statement

Payments to States, Territories, Indian Tribes, and Alaskan Native Organizations for AFDC Family Support Activities is a new appropriation account initiated in FY 1990 to fund activities under section 201 and certain activities under section 301 of the Family Support Act of 1988 (P.L. 100-485).

Section 201 establishes the Job Opportunities and Basic Skills (JOBS) Training Program which provides an array of education, training and employment-supportive services to current and former welfare recipients. JOBS must be in place in all States by the end of FY 1990, at which time existing AFDC work programs (e.g., community work experience, job search, work supplementation) and the WIN program will be completely repealed.

State JOBS programs must include educational activities such as high school or equivalent education, basic and remedial education, and education for those with limited English proficiency. Such programs must also provide job skills training, job readiness, and job development and placement services. Finally, each State's program must offer at least two of the following programs: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience approved by the Secretary.

Section 301 provides for payments to States to meet the costs of transportation, other work related expenses and other supportive services necessary for an individual to participate in JOBS or in another approved education, training, or employment-related activity.

Payments to States for Family Support Activities

Authorizing Legislation - Title IV, parts C and F, of the Social Security Act.

	1990 Estimate	1991 Estimate	Increase
Total, budget authority	$463,038,000	$1,000,000,000	+536,962,000

Purpose and Method of Operation

The purpose of the JOBS program is to assure that needy families with children obtain the education, training and employment needed to avoid long-term welfare dependency. State JOBS programs must provide supportive educational activities, jobs skills training, job readiness, and job development and placement services. Finally, each State's program must offer at least two of the following programs: group and individual job search, on-the-job training, work supplementation, and community work experience or other work experience approved by the Secretary.

States can elect to initiate programs at any time from July 1, 1989 to October 1, 1990, by which time JOBS must be operative in all States. No later than October 1, 1992, such programs must be operative in all subdivisions of each State where it is feasible to do so. To date 27 States have begun JOBS programs.

Each State must submit a plan, in accordance with the JOBS final regulations, that explicitly outlines its implementation and operation of JOBS. Funds provided to States that operate JOBS programs will be matched at 90 percent up to the total that States received in FY 1987 for WIN. The remainder of the funds available for JOBS will be provided to the States at lower matching rates.

In FY 1991, a funding level of $1,000,000,000 is requested for JOBS.

Rationale for Budget Request

The $1,000,000,000 request is the amount to which States are entitled law for FY 1991.

State Tables

Payments to States for Family Support Activities
Federal Share of Grant Award Obligations

State and local Jurisdictions	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Alabama	$ 859,000	$ 1,862,111	$ 10,471,590
Alaska	333,000	864,976	2,122,063
Arizona	643,000	643,162	7,768,683
Arkansas	396,000	4,470,295	5,581,083
California	9,122,000	123,445,822	154,955,066
Colorado	1,478,000	6,535,589	9,936,904
Connecticut	995,000	8,241,290	10,144,071
Delaware	311,000	1,599,863	1,947,501
Dist. of Col.	883,000	2.013,446	3,735,294
Florida	1,382,000	14,000,000	23,242,297
Georgia	1,131,000	14,000,000	20,297,778
Guam	67,000	67,327	427,847
Hawaii	458,000	531,753	4,158,479
Idaho	802,000	623,780	2,448,476
Illinois	4,520,000	10,655,745	58,362,808
Indiana	1,188,000	5,543,393	13,496,355
Iowa	740,000	6,000,000	10,524,329
Kansas	676,000	5,370,423	6,688,925
Kentucky	936,000	946,996	13,681,806
Louisiana	682,000	663,256	20,613,607
Maine	514,000	514,408	5,335,032
Maryland	1,297,000	13,508,512	16,809,779
Massachusetts	2,261,000	19,683,910	24,292,359
Michigan	4,942,000	25,695,357	64,962,486
Minnesota	1,267,000	12,767,940	16,890,932
Mississippi	709,000	689,784	13,569,375
Missouri	1,322,000	3,642,931	18,800,891
Montana	411,000	938,510	3,104,417
Nebraska	316,000	2,500,000	3,759,065
Nevada	202,000	1,369,369	1,667,980

Payments to States for Family Support Activities
Federal Share of Grant Award Obligations

State and local Jurisdictions	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
New Hampshire	188,000	959,555	1,167,042
New Jersey	2,620,000	23,389,244	28,901,312
New Mexico	391,000	916,459	5,073,897
New York	7,903,000	7,996,098	94,122,551
North Carolina	1,406,000	1,286,712	16,063,316
North Dakota	210,000	769,629	1,608,450
Ohio	3,692,000	39,755,611	62,642,527
Oklahoma	413,000	6,752,454	8,531,138
Oregon	2,542,000	2,553,945	10,300,436
Pennsylvania	4,151,000	17,700,000	50,074,042
Puerto Rico	570,000	553,900	14,551,571
Rhode Island	395,000	3,435,586	4,242,645
South Carolina	593,000	4,500,000	9,157,311
South Dakot	392,000	1,587,996	1,898,822
Tennessee	897,000	897,341	15,816,502
Texas	1,890,000	9,187,035	39,525,556
Utah	1,236,000	4,055,710	4,932,072
Vermont	698,000	679,022	2,763,302
Virgin Islands	92,000	243,533	343,161
Virginia	1,311,000	1,310,881	13,142,677
Washington	3,737,000	15,386,891	23,416,753
West Virginia	1,258,000	9,823,722	12,224,201
Wisconsin	2,701,000	22,853,717	28,162,873
Wyoming	146,000	660,787	1,431,008
SubTotal	80,275,000 1/	466,645,772 2/	1,000,000,000 3/
Adjustments		-3,607,772	
Total, Budget Auth	$80,275,000	$463,038 000	$1,000,000,000

1/ Amounts displayed were originally separately appropriated for predecessor Work Incentives (WIN) Program.

2/ State-by-State amounts represent State estimates of expenditures. The actual amount available for distribution is $463,038,000.

3/ State allocations based on available ceiling for all States in FY 1991.

DEPARTMENT OF HEALTH and HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION

Immigration Assistance - State Legalization Impact Assistance Grants

FY 1991 Budget

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Immigration Assistance - State Legalization Impact Assistance Grants

Appropriation language

Funds appropriated for fiscal years after 1990 for grants to States under section 204(b) of the Immigration Reform and Control Act of 1986 shall not exceed a total of $301,097,000, which shall be available for obligation in fiscal year 1991 only, notwithstanding section 204(a) of said Act, as amended.

FAMILY SUPPORT ADMINISTRATION

Immigration Assistance - State Legalization Impact Assistance Grants

Language Analysis

Language Provision	Explanation
Funds appropriated for fiscal year after 1990 for grants to States under section 204(b) of the Immigration Reform and Control Act (IRCA)....	Makes definite the amount of States would receive. IRCA includes a formula for grants to States, rather than definite amounts. States would receive this specified amount regardless of changes in Federal welfare or administrative costs.
shall not exceed a total of $310,087,000	Gives States the same amount of grants in fiscal year 1991 that they received in FY 1990.
which shall be available for obligation in fiscal year 1991 only, notwithstanding section 204(a) of said Act, as amended.	Restates the original four year period of special assistance to States.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
IMMIGRATION ASSISTANCE - STATE LEGALIZATION IMPACT ASSISTANCE GRANTS

Amounts Available for Obligation 1/

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation..... Permanent.......	$900,000,000	$870,000,000	$840,000,000
Sequester Order...		- 12,180,000	
Enacted Reduction in Funds..........		-555,244,000	
Proposed Reduction........			-537,403,000
Proposed Funding:			
Subtotal, adjusted appropriation....	900,000,000	302,576,000	302,597,000
Grants to States	$898,500,000	$301,097,000	$301,097,000
Federal Administration	1,500,000	1,479,000	1,500,000
Obligated Balance Start of Year....	920,133,000	1,497,222,000	1,273,918,000
Obligated Balance End of Year......	-1,497,222,000	-1,273,918,000	-975,222,000
Unobligated Balance Lapsing..........	- 46,000	—	—
Total-Obligations.....	$899,954,000	$302,576,000	$302,597,000

1/ Section 204(a) of the Immigration Reform and Control Act of 1986 (IRCA) appropriates in each of fiscal years 1988 through 1991 an amount equal to $1 billion minus the "Federal offset." The Federal offset is the estimated Federal costs of providing benefits in the Medicaid, AFDC, and Food Stamps programs to certain aliens - those legalized aliens who would otherwise be barred by IRCA from these programs but for exceptions made by IRCA; for example, aliens who are aged, blind or disabled. P. L. 101-166 amended IRCA to appropriate funds in FY 1992. That appropriation is reduced both by the Federal offset and the amount of funds made available to States in FY 1990.

Immigration Assistance - State Legalization Impact Assistance Grants

Summary of Changes

1990 Appropriation..................................	$302,576,000
1991 Request..	$302,597,000
Net Change..	+$ 21,000

Increases:	1990 Current Estimate Base Budget Authority	Change from base Budget Authority
A. Program:		
1. Grants to States for assistance to certain legalized aliens.............	$302,576,000	-0-
d. Federal Administration..	1,479,000	+$ 21,000
Total Increase.....		+$ 21,000
Net Change.........		+$ 21,000

Immigration Assistance - State Legalization Impact Assistance Grants

Budget Authority by Activity
(in thousands)

	1989 Actual Amount	1990 Appropriation Amount	1991 Estimate Amount
1. Grants to States..	$898,500	$301,097	$301,097
2. Federal Administration....	1,500	1,479	1,500
Total Budget Authority	$900,000	$302,576	$302,597

Immigration Assistance - State Legalization Impact Assistance Grants

Budget Authority by Object

	1990 Appropriation	1991 Estimate	Increase or Decrease
Travel and Transportation.....	$ 40,000	$ 50,000	+$ 10,000
Rent, Communications and Utilities....................	92,000	92,000	—
Printing......................	5,000	5,000	—
Other Services................	1,292,000	1,303,000	+ 11,000
Equipment.....................	5,000	5,000	—
Grants, Subsidies and Contributions................	301,097,000	301,097,000	—
Total, budget authority by object..................	$302,576,000	$302,597,000	+$ 21,000

Immigration Assistance - State Legalization Impact Assistance Grants

Authorizing Legislation

	1990 Amount Authorized 1/	1990 Current Estimate	1991 Amount Authorized 1/	1991 Budget Request 2/
1. Grants to States - Section 204 of the Immigration Reform and Control Act of 1986 (P.L. 99-603)..................	—	$301,097,000	—	$301,097,000
2. Federal Administration - Section 204 of P.L. 99-603	—	1,479,000	—	1,500,000
Total appropriation.....	$1,000,000,000	$302,576,000	$1,000,000,000	$302,597,000

1/ The Immigration Reform and Control Act of 1986 (IRCA), as amended by Pub. L. 101-166, appropriates funds for five fiscal years, FYs 1988 through 1992. No authorization per se is specified in IRCA. Footnote 2, below, describes how the appropriation is determined.

2/ The amount appropriated for Grants to States and for Federal administration of SLIAG is determined by subtracting an amount called the "Federal offset" from $1 billion. The Federal offset is the expenditures by the Federal government to provide assistance to certain aliens who would otherwise be barred by IRCA from certain Federal assistance programs (such as Medicaid, AFDC, and Food Stamps.)

In FY 1991, the Federal offset is estimated at $160 million, resulting in an appropriation under current law of $840 million. The amount of funds available for Grants to States is determined by subtracting the Federal costs of administering the SLIAG grant, estimated to be $1.5 million, from the appropriation. The Administration proposes to reduce excess FY 1991 budget authority by $537,403,000.

Immigration Assistance -State Legalization Impact Assistance Grants

Fiscal Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1988	—	—	—	$930,000,000 1/
1989	—	—	—	$900,000,000
1990	$ 444,000,000	Deferred	$314,576,000	$314,576,000
Sequester	- 12,180,000			
1991	$ 302,597,000 2/			

1/ Appropriations for each of fiscal years 1988-1992 are made by the Immigration Reform and Control Act of 1986 (IRCA), P.L. 99-603, as amended by Pub. L. 101-166. Section 204(a) of IRCA requires that the estimated expenditures of the Federal government incurred to provide assistance to legalized aliens who would be barred by IRCA from certain Federal assistance programs (e.g., Medicaid, AFDC, and Food Stamps) but for exceptions to these bars for certain aliens (e.g., those who are aged, blind or disabled), be deducted from $1 billion in order to determine the amount appropriated. This reduction is called the Federal offset.

2/ The FY 1991 appropriation request reflects the Administration's proposed reduction in budget authority of $537,403,000.

Immigration Assistance - State Legalization Impact Assistance Grants

Justification

	1990 Appropriation Budget Authority	1991 Estimate Budget Authority	Increase or Decrease Budget Authority
Grants to States...	$301,097,000	$301,097,000	-0-
Federal Administration...	1,479,000	1,500,000	+ 21,000
Total Budget Authority.......	$302,576,000	$302,597,000	+$ 21,000

General Statement

This account subsidizes state costs of assimilating legalized aliens, most of whom will have been living and working in the United States for 10 years by the end of FY 1991.

Section 204 of Public Law 99-603 (the Immigration Reform and Control Act of 1986, or "IRCA") established a time-limited program of State Legalization Impact Assistance Grants (SLIAG). These grants are made available to States, upon application to HHS, to offset some of the costs incurred by State and local governments in providing certain public assistance, public health assistance, and educational services to certain categories of aliens legalized by Pub. Law 99-603.

Pub. Law 99-603 appropriated, for each of fiscal years 1988 through 1991, an amount equal to $1 billion less the amount of the "Federal offset." The Federal offset is the Federal cost of providing benefits to certain eligible aliens. For FY 1991, the Federal offset is estimated to be $160 million. After deducting $1.5 million for Federal administration of the SLIAG program, $838.5 million would be available for grants to States.

Grant funds are allocated to States based on a formula described in the SLIAG regulation (45 CFR Part 402, Subpart D). This formula incorporates criteria specified by Pub. Law 99-603. Under current law, funds are available to States for obligation until September 30, 1994.

Pub. L. 101-166 reduces the FY 1990 SLIAG appropriation by $555,244,000, but restores a similar amount in FY 1992. Pub. L. 101-238 authorizes States to use a limited amount of their SLIAG grants for two new purposes — public education and outreach to temporary resident aliens and employment discrimination education and outreach. The use of SLIAG funds for each of these purposes is limited to 1 percent of each State's allotments for fiscal years subsequent to FY 1988, or $100,000 per year, whichever is greater.

Immigration Assistance - State Legalization Impact Assistance Grants

Program Accomplishments

The Office of Refugee Resettlement in the Family Support Administration is the lead agency for implementation and administration of the State Legalization Impact Assistance Grant (SLIAG) program. Final regulations, including the allocation formula for distribution of funds to the States, were published in the Federal Register on March 10, 1988.

Forty-two States received grants in FY 1988 and FY 1989. Forty-one States have applied for funds in FY 1990.

The Office of Refugee Resettlement conducted a series of implementation workshops to help States apply for funds and establish costs. In addition, HHS has made available to States a computer-based matching system that allows them to establish costs chargeable to SLIAG in a simple and cost-effective manner.

A primary objective of SLIAG was to ensure that adequate classes would be available for those aliens who had to demonstrate proficiency in the English language and a knowledge of the history and government of the U.S. in order to remain permanently in the U.S. Nearly two-thirds of the "amnesty" aliens have already applied for permanent resident status. The bulk of the remainder will have met the requirement by the end of FY 1990. The cost of this will have been about $300 million, or about 14 percent of the funds already made available to States.

Immigration Assistance - State Legalization Impact Assistance Grants

Grants to States

Authorizing Legislation - Section 204 of the Immigration Reform and Control
Act of 1986 (Public Law 99-603).

1990 Appropriation	1991 Estimate	Increase or Decrease
Budget Authority	Budget Authority	Budget Authority
$302,576,000	$302,597,000	+$ 21,000

Purpose and Method of Operations

Grants are available to States upon application and demonstration of actual costs incurred. Under SLIAG, State and local governments may receive Federal reimbursement for costs they incur by providing benefits or services to certain aliens legalized by IRCA in on-going, generally available public assistance and public health assistance programs. IRCA also provides for the use of SLIAG funds for certain new services targeted to newly legalized aliens. This includes assistance to local school districts with large concentrations of legalized alien children who have been in U.S. schools for a short period of time.

States may also use SLIAG funds for providing educational services to adults, including the English language and citizenship skills required of certain newly legalized aliens as a precondition to their retaining lawful resident status.

Amendments to IRCA made by Pub. L. 101-238 added two new uses of SLIAG funds. States may now use small amounts of each year's SLIAG grant for outreach activities and to prevent employment discrimination. (This latter activity is not limited to aliens legalized under IRCA.)

The Department of Health and Human Services Family Support Administration is responsible for administering the SLIAG program. Federal activities include: the development and promulgation of regulations and program operations and policy guidance; reviews and approval of State applications; reviews and evaluation of State program operations; development of the State allocation formula; issuance of grants; reallotment of funds; review and clearance of audit reports and findings; enforcement of statutory and regulatory requirements; and preparation of statutorily required reports to Congress.

Funds available for grants to States are allocated according to a formula specified in regulation at 45 CFR Part 402, Subpart D. This formula takes into account factors prescribed in IRCA, i.e., the number of newly legalized aliens in each State, the costs States incur in providing services and benefits to such aliens, and the ratio of legalized aliens to a State's general population.

In order to claim Federal reimbursement, States must establish that allowable costs were actually incurred. The regulations implementing SLIAG provide for a variety of options for establishing costs. In addition, the Department has made available to States a computer-based matching system that allows States to establish SLIAG-allowable costs by matching social security numbers of program recipients with the social security numbers of newly legalized aliens.

Rationale for the Budget Request

The Administration Budget proposal would give States enough funds to double FY 1989 spending levels for fiscal years 1990, 1991, and 1992, and still have money left over for fiscal years 1993 and 1994. The combination of requested funding, low costs, and carryover balances will fund all the services needed to assist legalized aliens as they assimilate into society. By the end of FY 1991, most of these aliens will have been living and working in the United States for 10 years or more.

Aliens legalized under the Immigration Reform and Control Act of 1986 (IRCA) have proven to be much more resourceful and self-sufficient than Congress and the Executive Branch had expected. Welfare costs - especially Medicaid - are so much lower that under current law States can expect to have $1 billion more for other purposes than IRCA's drafters intended. Under current law, the unexpectedly low Federal welfare costs will increase grants to States by $.5 billion, with lower State Medicaid costs freeing up another $.5 billion.

Federal Offset Funds

FY	Original Estimates	Revised Estimates	Excess Federal Funds Awarded to States
1988	$ 70,000,000	$ 30,000,000	+$ 40,000,000
1989	355,000,000	100,000,000	+ 255,000,000
1990	256,000,000	130,000,000	+ 126,000,000
1991	267,000,000	160,000,000	+ 107,000,000
TOTAL	$948,000,000	$420,000,000	+$528,000,000

Not only are welfare costs low - other costs have been lower as well. The huge balances still available to States from FY 88-FY 89 illustrate how low past costs have been, and provide ample funds for future costs.

Grants to States, FY 88-FY 89	$1,827,000,000
Expended by States, FY 88-FY 89	$332,087,000
Carryover funds available	$1,494,913,000
FY 90-FY 91 grants to States	$602,194,000
Total Funding Available Fiscal Years 1990 - 1992	$2,097,107,000

Instruction in the English language and citizenship, which legalized aliens need in order to become permanent residents, are a concrete example of these low costs. When the legalization program has been completed, States are expected to have spent less than $300 million on these required classes—roughly 12 percent of past and proposed grants to States.

Data available to us so far indicates that newly legalized aliens are accessing public services at rates less than those of the general population. In addition, some of the costs for which States are claiming SLIAG reimbursement are costs that would have been incurred even if Congress had not legalized aliens. Legal immigration status is not a precondition to receiving services and benefits under most State and local programs.

Additionally, early data indicate that most legalized aliens are employed and do not rely on public services. Aliens were not eligible for legalization if they were likely to become "public charges", and early data show low unemployment. This means that legalized aliens are taxpayers, contributing directly and indirectly to State and local revenues.

Immigration Assistance - State Legalization Impact Assistance Grants

Federal Administration

Authorizing Legislation - Section 204 of the Immigration Reform and Control Act of 1986 (Public Law 99-603).

1990 Appropriation	1991 Estimate	Increase or Decrease
Budget Authority	Budget Authority	Budget Authority
$ 1,479,000	$ 1,500,000	+$ 21

1991 Authorization .... Indefinite

Purpose and Method of Operations

The Department of Health and Human Services, Family Support Administration, Office of Refugee Resettlement, is responsible for administering the State Legalization Impact Assistance Grants program. Federal activities include: the development and promulgation of regulations and program operations and policy guidance; review and approval of State applications; review and evaluation of State program operations; development of State allocation formula; issuance of grants; reallotment of funds; review and analysis of State financial and program reports; review and clearance of audit reports and findings; enforcement of statutory and regulatory requirements; and, preparation of statutorily required reports to Congress.

Rationale for the Budget Request

An estimated $1.5 million will be required for Federal administration of HHS' responsibilities under section 204 of IRCA. This request is based on actual program administrative expenditures in FY 1989.1/

1/ The $1.5 million requested represents one-half of one percent of the appropriation and will provide for administration and oversight of this program activity in FY 1991.

Immigration Assistance - State Legalization Impact Assistance Grants

SUMMARY STATE TABLE

State	1988 Actual	1989 Actual	1990 1/ Estimate	1991 1/ Estimate
Alabama	—	—	—	—
Alaska	—	—	—	—
Arizona	$18,286,215	$20,779,799	—	—
Arkansas	304,119	688,593	—	—
California	570,408,016	522,456,754	—	—
Colorado	6,393,299	7,515,680	—	—
Connecticut	1,141,629	600,309	—	—
Delaware	—	—	—	—
Dist. of Col.	2,300,081	2,290,968	—	—
Florida	73,341,086	69,671,262	—	—
Georgia	3,315,344	6,132,802	—	—
Guam	—	—	—	—
Hawaii	698,141	549,696	—	—
Idaho	2,741,079	2,930,717	—	—
Illinois	32,470,320	43,356,753	—	—
Indiana	477,206	725,437	—	—
Iowa	283,626	301,006	—	—
Kansas	1,247,960	1,412,088	—	—
Kentucky	—	—	—	—
Louisiana	804,604	583,017	—	—
Maine	—	—	—	—
Maryland	2,608,991	1,489,401	—	—
Massachusetts	5,450,683	4,962,902	—	—
Michigan	1,074,082	1,629,122	—	—
Minnesota	491,293	424,273	—	—
Mississippi	—	—	—	—
Missouri	644,538	644,918	—	—
Montana	—	—	—	—
Nebraska	414,480	376,944	—	—
Nevada	3,751,016	4,698,031	—	—

Immigration Assistance - State Legalization Impact Assistance Grants

State	1988 Actual	1989 Actual	1990 1/ Estimate	1991 1/ Estimate
New Hampshire	65,232	127,597	—	—
New Jersey	6,827,372	8,243,441	—	—
New Mexico	9,459,277	7,557,796	—	—
New York	41,908,998	47,577,243	—	—
North Carolina	2,192,094	3,501,725	—	—
North Dakota	—	—	—	—
Ohio	606,308	688,280	—	—
Oklahoma	3,371,333	3,563,460	—	—
Oregon	7,529,887	6,677,232	—	—
Pennsylvania	1,812,200	2,035,635	—	—
Puerto Rico	1,112,712	1,783,799	—	—
Rhode Island	1,411,597	564,671	—	—
South Carolina	443,176	819,753	—	—
South Dakota	—	—	—	—
Tennessee	624,140	599,147	—	—
Texas	102,758,454	104,223,456	—	—
Utah	1,821,650	1,318,844	—	—
Vermont	—	—	—	—
Virginia	4,178,360	5,194,736	—	—
Washington	11,895,918	7,972,322	—	—
West Virginia	88,313	86,086	—	—
Wisconsin	1,012,434	1,428,847	—	—
Wyoming	732,737	360,758	—	—
Indian Tribe Set Aside			—	—
Undistributed	—	—		
Total (thous.)	$928,500	$898,500	$301,097	$301,097

1/ Formulas for determining estimated state allotments for FY 1990 and FY 1991 are being revised and are unavailable at this time.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
FAMILY SUPPORT ADMINISTRATION
Program Administration

FY 1991 Budget — Page

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FAMILY SUPPORT ADMINISTRATION

Program Administration

For necessary administrative expenses to carry out titles I, IV, X, XI, XIV, and XVI of the Social Security Act, the Act of July 5, 1960 (24 U.S.C. ch. 9), title XXVI of the Omnibus Budget Reconciliation Act of 1981, the Community Services Block Grant Act, title IV of the Immigration and Nationality Act, section 501 of the Refugee Education Assistance Act of 1980, Public Law 100-77, [Public Law 100-628,] and section 126 and titles IV and V of Public Law 100-485, [$86,806,000] $79,200,000, to be reduced by such sums as may be collected, which shall be credited to this account as offsetting collections from fees for the costs of responding to requests for information under section 453 of the Social Security Act: Provided, That for each such request not affected by section 453(f), a fee of not less than $1 shall be charged to State and local governments. (Department of Health and Human Services Appropriation Act, 1990)

FAMILY SUPPORT ADMINISTRATION

Program Administration

Language Analysis

Language Provision	Explanation
"For necessary administrative expenses to carry out titles I, IV, X, XI, XIV, and XVI of the Social Security Act ... titles IV and V of Public Law 100-485,"	This provides authorization to use appropriated funds for administrative expenses incurred in carrying out the referenced legislation.
"to be reduced by such sums as may be collected which shall be credited to this account as offsetting collections"	This provides the authority to reduce the appropriation by the amount of user fees collected.
"from fees for the costs of responding to requests for information under section 453 of the Social Security Act"	This designates the user fees as being generated from the Federal Parent Locator Service (FPLS).
"Provided that for each such request not affected by section 453(f)"	This points out existing authority for charging FPLS user fees to non-AFDC clients and stipulates that all FPLS requests will be charged a fee.
"a fee of not less than $1 shall be charged to State and local governments."	This sets a minimum charge for user fees and designates State and local governments as those to be charged.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Family Support Administration
Program Administration

Amounts Available For Obligation

	1989 Actual	1990 Appropriation	1991 Estimate
Appropriation..............	$81,474,000	$86,806,000	$79,200,000
Reduction pursuant to P.L 101-166...............		-168,000	
Sequester Order..........		1,185,000	
Definite Appropriation....	$81,474,000	$85,453,000	
Indefinite Appropriation..			$77,200,000
Assessed under current law.			1,000,000
Assessed under requested Authority...............			1,000,000
Tax Offset Notices	385,000	394,000	400,000
Other Federal Funds......	300,000		
Unobligated balance lapsing.................	- 3,904,000		
Total obligations.........	$78,255,000	$85,847,000	$79,600,000

Program Administration

Summary of Changes

1990 Appropriation	$86,806,000
Reduction pursuant to P.L 101-166 1/	-168,000
Sequester Order	-1,185,000
Total adjusted budget authority	$85,453,000
[Obligations]	[$85,847,000]
1991 Request	$79,200,000
[Obligations]	[$79,600,000]
Net change	-$ 6,253,000
[Obligations]	[-$ 6,247,000]

	1990 Current Estimate		Change from Base	
	Pos. (FTE)	Budget Authority	Pos. (FTE)	Budget Authority
Increases:				
A. **Built-in:**				$
1. Annualization of 3.6% pay raise...	--	--	--	+551,000
2. January 1991 3.5% pay raise...	--	--	--	+1,276,500
3. GSA Rental Payments.....	--	--	--	+283,000
Total Increases				+2,110,500
Decreases:				
A. **Built-in**				
1. Phase-out of Support to Depart. of Labor for WIN staff.....	--	--	--	-800,000

	1990 Current Estimate		Change from Base	
	Pos. (FTE)	Budget Authority	Pos. (FTE)	Budget Authority
2. Productivity improvements and other administrative cost reductions. Training..........	--	--	--	-1,988,500
3. Lower resource requirements of projects authorized in the Family Support Act......	___	___	___	-5,575,000
Total decrease...	___	___	___	-8,363,500
Net Change.......	___	___	___	-6,253,000

Program Administration

Budget Authority by Activity
(Budget Authority in Thousands)

	1989 Actual		1990 Appropriation		1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
1. Salaries and Expenses.............	993	$78,724	1,029	$75,628	1,029	$74,950
2. Research and Evaluation........		2,750		9,825		4,250
Total........	993	$81,474	1,029	$85,453	1,029	$79,200

Program Administration
Budget Authority by Object
($ in thousands)

	1990 Appro.	1991 Estimate	Increase or Decrease
Total number of full-time permanent positions........	1,001	1,010	+ 9
Total compensable workyears:			
Full-time equivalent employment.................	1,029	1,029	--
Full-time equivalent of overtime and holiday hours...	42	42	--
Average SES salary..............$	71,200	$ 74,400	+3,200
Average GS grade................	13.1	13.2	--
Average GS salary..............$	42,601	$ 44,021	+$ 1,420
Personnel compensation:			
Full-time permanent............$	40,739	$ 41,572	+$ 833
Other than full-time permanent.	969	982	+ 13
Special personal services pay.	16	16	--
Other personnel compensation...	330	335	+ 5
Total personnel compensation..	42,054	42,905	+ 851
Personnel benefits..............	5,869	5,869	- --
Travel and transportation of persons.......................	1,740	1,740	- --
Transportation of things........	60	60	--
Rent, communications and utilities:			
Rental payments to GSA........	5,286	5,569	+ 283
Communications, utilities and miscellaneous..............	2,475	2,475	+ --

Program Administration
Budget Authority by Object
($ in thousand)

	1990 Appro.	1991 Estimate	Increase or Decrease
Printing and reproduction.....	349	349	--
Other services.............	16,345 1/	14,533 2/	- 1,812
Supplies and materials....	450	450	+ --
Equipment.................	1,000	1,000	--
Grants....................	9,825	4,250	- 5,575
Total budget authority by object.............	$ 85,453	$ 79,200 3/	-$6,253

1/ Includes $800,000 for the Work Incentives (WIN) program for allocation to the Department of Labor of which $773,000 is for compensation and benefits in FY 1990.

2/ Includes $1,000,000 in user charges under current law and $1,000,000 in user charges under requested authority.

3/ Preliminary object class distribution.

Program Administration

Authorizing Legislation

	1990 Amount Authorized	1990 Current Estimate	1991 Amount Authorized	1991 Budget Request
Program Administration Activity:				
1. Salaries and expenses: Titles I, IV, X, XI, XIV, and XVI of the Social Security Act, the Act of July 5, 1960 (24 U.S.C., Ch. 9), title XXVI of the Omnibus Reconciliation Act of 1981, the Community Services Block Grant Act, title IV of the Immigration and Nationality Act, section 501 of the Refugee Education Assistance Act of 1980, Public Law 100-77 and section 126 and titles IV and V of Public Law 100-485............	$75,760,000	$75,760,000	Indefinite	$74,950,000 1/
2. Research and Evaluation: Title XI of the Social Security Act.......	9,825,000	9,825,000	Indefinite	4,250,000
Total approp	$85,453,000	$85,453,000		$79,200,000

1/ Includes $1,000,000 in user charges under current law and $1,000,000 in user charges under requested authority.

Program Administration

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1986	$92,223,000	$91,194,000	$91,194,000	$91,966,000
Sequester Amount	- 3,441,000			
1987	84,454,000	85,414,000	86,905,000	97,002,000
1988	75,796,00	74,913,000	83,619,000	79,464,000
1989	79,533,000	79,533,000	82,464,000	81,474,000
1990	78,181,000	82,431,000	91,181,000	86,806,000
Sequester Amt.	- 1,185,000			
Reduction pursuant to P.L. 101-166	- 168,000			
1991	79,600,000			

Justification

Program Administration

	1990 Appropriation		1991 Estimate		Increase or Decrease	
	FTE	BA	FTE	BA	FTE	BA
Salaries and Expenses.......	1,029	$75,628,000	1,029	$74,950,000	--	-$ 678,000
Research and Evaluations....	--	9,825,000	--	4,250,000	--	- 5,575,000
Total, budget authority......	1,029	$85,453,000	1,029	$79,200,000	--	-$6,253,000

General Statement

The Program Administration account provides funding support for administering FSA programs and for conducting research and evaluation studies. Federal Administration costs for all Family Support Administration (FSA) program components (i.e., Office of Family Assistance, Office of Child Support Enforcement, Office of Refugee Resettlement and Office of Community Services) are consolidated under the Salaries and Expenses activity. The Research and Evaluation component provides funding for research projects which improve the operational efficiency and promote the policy effectiveness of FSA administered programs.

The amount of actual Budget Authority requested by FSA is $79.2 million. In addition, an estimated $400 thousand will be paid by State and local governments as reimbursement for the costs of services provided by FSA in connection with generating notices of impending tax offsets to delinquent Child Support obligees. These fees when combined with the requested budget authority illustrate the amount of available obligational authority: $79.6 million. An estimated $2 million will be collected from user fees paid by State and local governments to cover the costs of the Federal Parent Locator Service (FPLS). Fees for services provided to non-welfare cases will be assessed under current law. Proposed appropriations language will enable FSA to assess State child support programs for services rendered on behalf of welfare clients. This will reduce the amount of Budget Authority required by the amount of fees collected. If the full $2 million in fees are collected, only $77.2 million in new budget authority would be used in 1991.

Program Administration

Program Accomplishments

The Family Support Administration (FSA) provides Federal leadership and direction to plan, manage and coordinate State-administered assistance programs designed to promote stability, economic security, responsibility and self-support for families. These functions are carried out by FSA components whose accomplishments are discussed as follows:

Office of Family Assistance - In fiscal year 1989, the Office of Family Assistance made grants to the States to help fund benefits for approximately 10.9 million recipients under the Aid to Families with Dependent Children program. In addition to the AFDC program, OFA began implementing the Job Opportunities and Basic Skills (JOBS) Training program. Final rules were published in October 1989. To date twenty seven states have elected to begin JOBS.

Office of Child Support Enforcement - In fiscal year 1989, the Child Support Enforcement program collected over $5.8 billion in child support payments, located over a million absent parents, established paternity in more than 300,000 cases, and processed approximately 2.4 million requests through the Federal Parent Locator Service. Use of the Federal Parent Locator Service (FPLS) doubled in 1989. Use is likely to continue to grow as States improve their Child Support programs. User charges will enable the FPLS to expand to meet future State needs and free the FPLS from the need to compete with staff salaries for appropriated funds.

Office of Refugee Resettlement - In fiscal year 1989, over 100,000 refugees and entrants were admitted into the U.S. Subsidies were provided to States and voluntary agencies to assist refugees through cash assistance, medical assistance, support services and employment services for applicants. Also, the State Legalization Impact Assistance Grant program distributed $898.5 million in grants to States in order to offset costs incurred by State and Local governments in providing public assistance, public health assistance and educational services to legalized aliens.

Office of Community Services - In FY 1989, the Office of Community Services, through the Community Services Block Grant and Discretionary Grant programs, provided over $380 million in funding to 50 States, 7 Territories and various Indian Tribal organizations to cover services which provide support to low income families and individuals and activities (e.g., education, employment, nutrition, housing, income management, social services coordination, emergency services, etc.). Also, the Low Income Home Energy Assistance program assisted approximately 6 million households with the payment of heating bills with grants averaging $204.00 per household.

Program Administration

Salaries and Expenses

Authorizing Legislation - Titles I, IV, X, XI, XIV, and XVI of the Social Security Act, the Act of July 5, 1960 (24 U.S.C. CH. 9), title XXVI of the Omnibus Budget Reconciliation Act of 1981, the Community Services Block Grant Act, title IV of the Immigration and Nationality Act, section 501 of the Refugee Education Assistance Act of 1980, P.L. 100-77, and section 126 and titles IV and V of P.L. 100-485.

	FY 1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
	FTE	BA	FTE	BA	FTE	BA
Budget authority	1,029	$75,628,000	1,029	$74,950,000	--	-$678,000

Purpose and Method of Operation

This activity provides the Family Support Administration (FSA) with leadership and direction to plan, manage and coordinate State-administered assistance programs designed to promote stability, economic security, responsibility and self-support for families. These programs include: AFDC and Child Support Enforcement, the JOBS work and training program, Refugee Resettlement, Immigration Assistance, Community Services, and Low Income Home Energy Assistance Program (LIHEAP). This activity also provides for FSA direction and guidance of these programs through the issuance of policies and regulations, assessment of State performance in administering those programs, the conduct of financial management and cost analyses, supervision of research and impact evaluation funds, development of ADP systems, administration of grants and contracts, quality control review of assistance payments, and formulation and execution of budget policies.

Rationale for the Budget Request

The FY 1991 request for salaries and expenses is $74,950,000, a decrease of $678,000 over FY 1990. This request supports a funding level sufficient to cover 1,029 FTEs and to meet the full cost of a 3.6 percent January 1989 pay raise. This funding includes an estimated $2.0 million to pay for and to continue the expansion of the Federal Parent Locator Service (FPLS). Under this approach, States which access the system pay for the benefits they receive. These fees, credited to the FSA Federal Administration account out of which FPLS is funded, will reduce the amount of new budget authority needed for this account in FY 1991.

Program Administration

RESEARCH AND EVALUATION

Authorizing Legislation - Title XI of the Social Security Act.

	1990 Appropriation		FY 1991 Estimate		Increase or Decrease	
	FTE	BA	FTE	BA	FTE	BA
Budget Authority	--	$9,825,000	--	$4,250,000	--	-$5,575,000

Purpose and Method of Operation

Funds for this activity finance research projects in profit and non-profit foundations, academic institutions and States which improve operational efficiency and conduct short term research related to the Family Support Act of 1988. These projects explore new methods of developing effective policies and procedures to enforce the collection of child support obligations; prevent and reduce dependency on Federal financial assistance programs; and improve the financial integrity and efficiency of Federal expenditure programs through development of more effective fraud detection and error reduction techniques.

Additionally, funds are provided to meet research requirements mandated in the Family Support Act of 1988. The Act requires an extensive cost evaluation of the new Job Opportunities and Basic Skills (JOBS) Training program. Evaluations will be undertaken to support development of performance standards required by the Act. These standards will enable the organization to measure the ongoing effectiveness of State JOBS programs.

Projects are conducted through a series of Federal contracts, grants and cooperative arrangements. Data and techniques from these projects are extracted and disseminated to the States through action transmittals, State practices, issuances and training courses. Final reports from such projects are often reproduced and distributed to States and other jurisdictions.

Rationale for Budget Request

The FY 1991 request of $4,250,000 is sufficient to adequately fund research and evaluation activities.

The FY 1991 projects will favor priorities that aim toward reducing Federal welfare expenditures. The AFDC program will continue to focus resources on assessing the effectiveness of alternative strategies for strengthening work and educational programs. In addition, resources will be devoted to implementing some demonstration projects mandated by the Family Support Act of 1988. These demonstration projects provide work experience programs for people who are unable to obtain employment through conventional employment programs. The Child Support Enforcement program will evaluate and develop techniques to increase child support collections and will continue to support the child support supplement to the current population survey. This survey provides information on the extent to which child support needs exist and are being met at the national level.

Program Administration

Salaries and Expenses
Detail of Permanent Positions (All Programs)

Estimate	1989 Actual	1990 Estimate	1991
SES	10	9	9
Subtotal	10	9	9
GS/GM-15	63	64	64
GS/GM-14	101	96	94
GS/GM-13	274	276	275
GS-12	212	220	220
GS-11	96	99	103
GS-10	0	1	1
GS-9	39	45	46
GS-8	6	7	6
GS-7	59	63	64
GS-6	45	50	51
GS-5	55	56	59
GS-4	6	7	9
GS-3	5	5	6
GS-2	1	1	1
GS-1	0	0	0
Subtotal	972	999	1,008
Wage Grade	2	2	2
Total Permanent Positions	974	1,001	1,010

EXHIBIT O

ADVISORY AND ASSISTANCE SERVICES

FAMILY SUPPORT ADMINISTRATION

Salaries and Expenses

(In Thousands of Dollars)

Account Title and Symbol		FY 1989	FY 1990	FY 1991
Salaries and Expenses No. 09-70-1500-0-1-609				
I. Contractual Services				
Individual Experts & Consultants	B.A.	275	225	225
	Oblig.	275	225	225
	Outlays	354	245	225
Studies, Analyses & Evaluations	B.A.	462	723	331
	Oblig.	462	723	331
	Outlays	466	619	566
Management & Professional Support Services	B.A.	7	313	250
	Oblig.	7	313	250
	Outlays	16	191	275
Engineering & Technical Services	B.A.	N.A.	N.A.	N.A.
	Oblig.	N.A.	N.A.	N.A.
	Outlays	N.A.	N.A.	N.A.
Subtotal	B.A.	744	1,261	806
	Oblig.	744	1,261	806
	Outlays	836	1,054	1,066
II. Personnel Appointments	B.A.	204	150	150
	Oblig.	204	150	150
	Outlays	204	150	150
III. Advisory Committees	B.A.	N.A.	N.A.	N.A.
	Oblig.	N.A.	N.A.	N.A.
	Outlays	N.A.	N.A.	N.A.
TOTAL	B.A.	948	1,411	956
	Oblig.	948	1,411	956
	Outlays	1,040	1,204	1,216

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